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ABSTRACT

This 10-unit training package is intended for use by educators and trainers to help displaced adults determine their self-employment potential (goal 1) and to guide them in developing a personal plan of action for a small business start-up (goal 2). Units 1-4 relate to the accomplishment of goal 1, and units 5-10 relate to the accomplishment of goal 2. The units are Assessing Self-Employment Potential, Evaluating Business Skills, Building a Support System, Assessing Personal Finances, Completing a Product or Service Survey, Conducting a Competitive Market Survey, Planning a Business, Developing a Business Plan, Using Resources Available for Small Business Owners, and Developing a Personal Plan of Action. Each unit begins with an introduction that includes the following items: topic, purpose, objectives, a list of needed materials, products (tangible results produced by participants), assignment, instructor notes (techniques and methods), and estimated time. A well-defined course of action follows. A left-hand column (content) provides a summary of the materials to be covered, which are presented in an inductive way. The right-hand column (process) suggests techniques and methods to be used. The instructional aids (handouts and transparencies) conclude each unit. (YLB)

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ED254658

**BEYOND A DREAM: AN INSTRUCTOR'S GUIDE  
FOR SMALL BUSINESS EXPLORATION**

**Judy Balogh  
M. Catherine Ashmore  
Novella Ross  
John Bebris  
Lisa Mazzei Fischer  
Phyllis Baker**

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For further information contact:

Program Information Office  
National Center for Research  
in Vocational Education  
The Ohio State University  
1960 Kenny Road  
Columbus, Ohio 43210-1090

Telephone: (614) 486-3655 or (800) 848-4815  
Cable: CTVOCEDOSU/Columbus, Ohio  
Telex: 8104821894

**Dedicated to**

**Professor Albert Shapero**

**for his vision and encouragement in  
entrepreneurship education and training**

Professor Shapero's challenge to vocational education to aid in developing future entrepreneurs has been an inspiration for the entrepreneurship program efforts at the National Center. This publication was designed to provide alternate, realistic opportunities for adults who experience "displacing events" as defined in Professor Shapero's published works.

Albert Shapero, Professor of Management Sciences and holder of the William H. Davis Chair in the American Free Enterprise System, is a leading authority on entrepreneurship and small business. His achievements and honors have brought him national and international recognition and great credit to The Ohio State University.

In addition to his interest in entrepreneurship and small business, Professor Shapero has published numerous articles on economic and industrial development and management of professional activities. He has served as a consultant to such organizations as the U.S. Small Business Administration, the U.S. Department of Energy, the United States Air Force, Stanford Research Institute, the National Science Foundation, as well as to numerous industrial concerns.

His outstanding accomplishments in the areas of entrepreneurship and managerial design exemplify the scholarly excellence that is The Ohio State University.

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## FOREWORD

*Beyond a Dream: An Instructor's Guide for Small Business Exploration* evolved from the need to develop instructional materials for those persons who might be considering self-employment. Records indicate that these persons often become self-employed with little or no business knowledge or skills. As a consequence, more than half of all small businesses fail within 2-5 years.

Educators and trainers can use this 10-unit training package to help displaced adults determine their self-employment potential and to guide them in developing a personal plan of action for a small business start-up. It combines both adult education and entrepreneurial principles and is easily adaptable to participants' needs and the setting.

Many thanks are extended to those people who contributed to the development of this guide through their review and constructive comments. They include Dr. Donald M. Clark, President and Chief Executive Officer, National Association for Industry-Education Cooperation, Buffalo, New York; Dr. Yvonne K. Rappaport, University Director for Programs in Continuing Education, University of Virginia, Charlottesville, Virginia; and Dr. Wesley E. Budke, Senior Research Specialist, and Dr. Susan Imel, Research Specialist, the National Center for Research in Vocational Education.

In addition to these reviewers, several adult educators agreed to pilot test the training package in their respective institutions. A special thanks to the following people for their cooperation and feedback: Paul Callahan, Director of Continuing Education and Extension Services, Cincinnati Technical College, Cincinnati, Ohio; Barry Palmer, Director of Continuing Education, Lehigh County Community College, Schnecksville, Pennsylvania; Edward West, Director of Continuing Education, Jefferson Technical College, Steubenville, Ohio; Tom Stuckey, Director of Development, Northwest Technical College, Archbold, Ohio; Joe Collins, North Adult Center, Columbus, Ohio; Bernard Schwartz, Executive Director, The Education Network for Older Adults, Chicago, Illinois; Larry Cline, Executive Dean, Central Arizona College, Coolidge, Arizona; Sue Lichten, Director of Continuing Education, Brookhaven College, Farmers Branch, Texas; Joyce Sass, Director of Program Development, Small Business Center, Triton College, River Grove, Illinois; Elaine Powell, Small Business Development Coordinator, Sinclair Community College, Dayton, Ohio; and Linda Moore, Education and Training Specialist, City Venture Corporation, St. Louis, Missouri.

Special recognition for development of the guide is extended to the following National Center staff: Dr. Lucille Campbell-Thrane, Associate Director, Personnel Development and Field Services Division; Dr. M. Catherine Ashmore, Entrepreneurship Program Director; Dr. Novella Ross, Project Director, for leadership and direction of the project; Phyllis Baker, Judy Balogh, John Bebris, and Lisa Mazzei Fischer, project staff, for contributions in developing the product; Mary Bernard for typing the manuscript; and Jerri Ramage who served as word processor operator. Final editorial review was conducted under the supervision of Janet Kiplinger.

Robert E. Taylor  
Executive Director  
The National Center for Research  
in Vocational Education

## INTRODUCTION

*Beyond a Dream: An Instructor's Guide for Small Business Exploration* is a 10-unit training package educators and trainers can use (1) to help adults determine their self-employment potential and (2) to guide them in developing a personal plan of action for a small business start-up. It combines both adult education and entrepreneurial principles and is easily adaptable to participants' needs and the setting.

### Background

This training package evolved from the need for instructional materials targeted specifically for displaced adults. Albert Shapero\* defines *displaced adults* as those persons who are experiencing major changes in their lives (life path changes). These changes are the result of such *displacing events* as getting fired, encountering family business argument, entering a middle-age crisis, or being divorced or widowed. Others may find themselves *between situations* due to graduation, military discharge, retirement, or being laid off. He adds that going into business for one's self is often a response made by adults experiencing these types of crises.

According to Shapero, *negative displacements* are the leading reasons for starting a business, although *positive pulls* such as financial support or partnership are also strong influences. The ultimate decision to start a business, however, is contingent upon the person's *desire*, or determination, to succeed and the *feasibility*, or likeliness of an experience being successful (see figure 1).

Clearly, the life path change process, as depicted by Shapero, points to displaced adults as the primary audience to consider entrepreneurship as an alternative to unemployment. However, records indicate that these persons are becoming self-employed with little or no business knowledge or skills. As a result, three-fourths of all small businesses fail within 2-5 years.\*\* Therefore, instructors need to work closely with adults to help them determine if, in fact, self-employment is for them.

### Purpose

As stated earlier, this training package will help participants accomplish two goals: (1) to determine their self-employment potential and (2) to develop a personal plan of action for small business start-up. Specifically, this training package provides participants with the opportunity to—

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\*Albert Shapero is professor of management and human resources and holder of the William H. Davis Chair in the American Free Enterprise System at The Ohio State University in Columbus, Ohio

\*\*U S Small Business Administration, *The State of Small Business: A Report of the President* (Washington, DC Government Printing Office, March 1984), 36.

## Life Path Change

### Negative Displacements:

Refugee  
Fired  
Insulted  
Angry  
Bored  
Middle-age Crisis  
Divorced/Widowed

### Between Situations:

Out of Army  
Out of School  
Out of Jail

### Positive Pull:

Partner  
Mentor  
Investor  
Customer

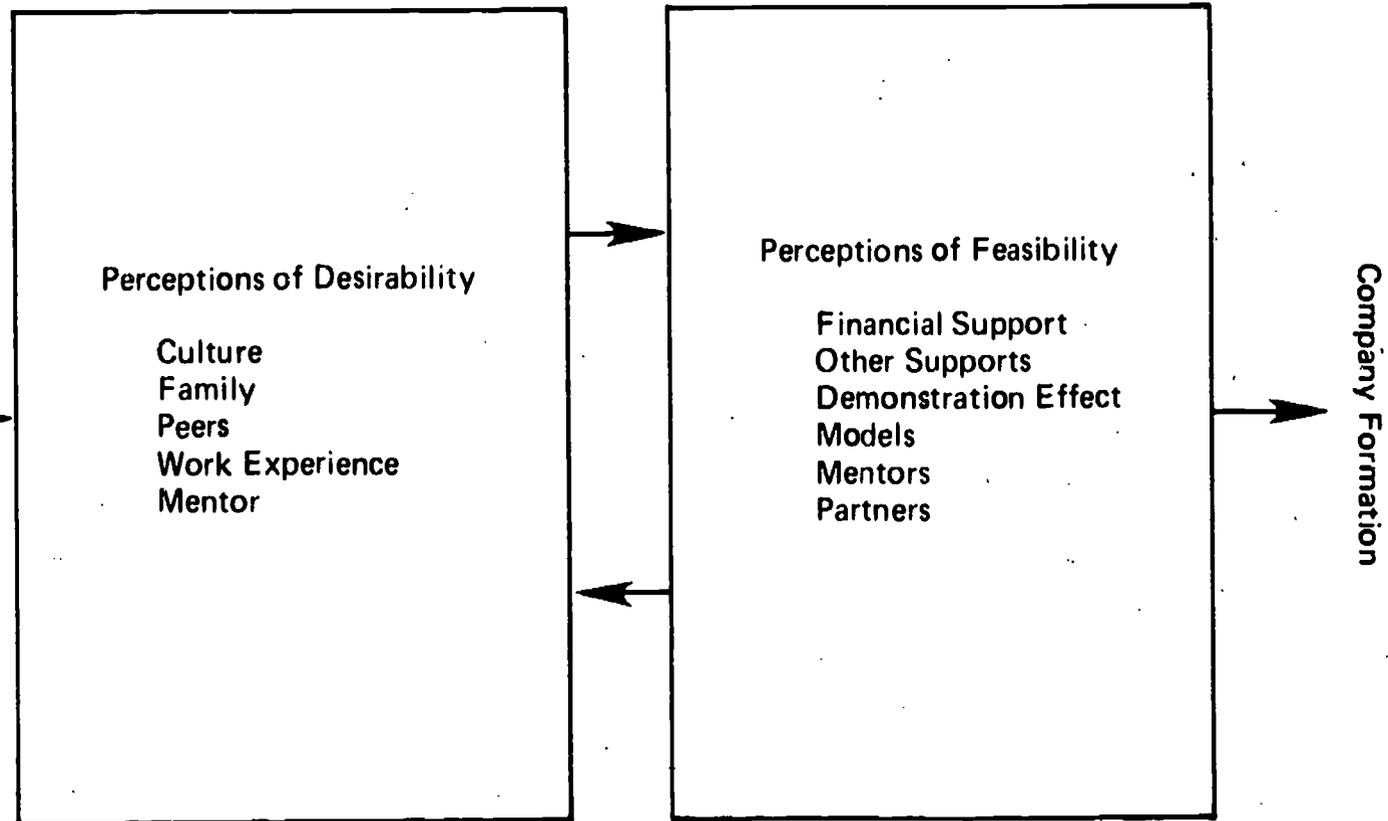


Figure 1. Entrepreneurial event information

SOURCE: Reprinted from "The Social Dimensions of Entrepreneurship," by Albert Shapero and Lisa Sokol. In *Encyclopedia of Entrepreneurship*, edited by Calvin A. Kent, Donald Sextor, and Karl H. Vesper (Englewood Cliffs, NJ: Prentice-Hall, 1982), 83.

- evaluate themselves via a self-assessment activity.
- discover what skills they have acquired through life experiences and education and identify those areas where they might need further technical assistance:
- start a community support system to compensate for needed technical assistance and expertise.
- analyze their financial basis for starting a business.
- test their business idea with the consumer and competitive market.
- develop a business plan.
- learn about resources available for small business owners, and
- decide their next steps.

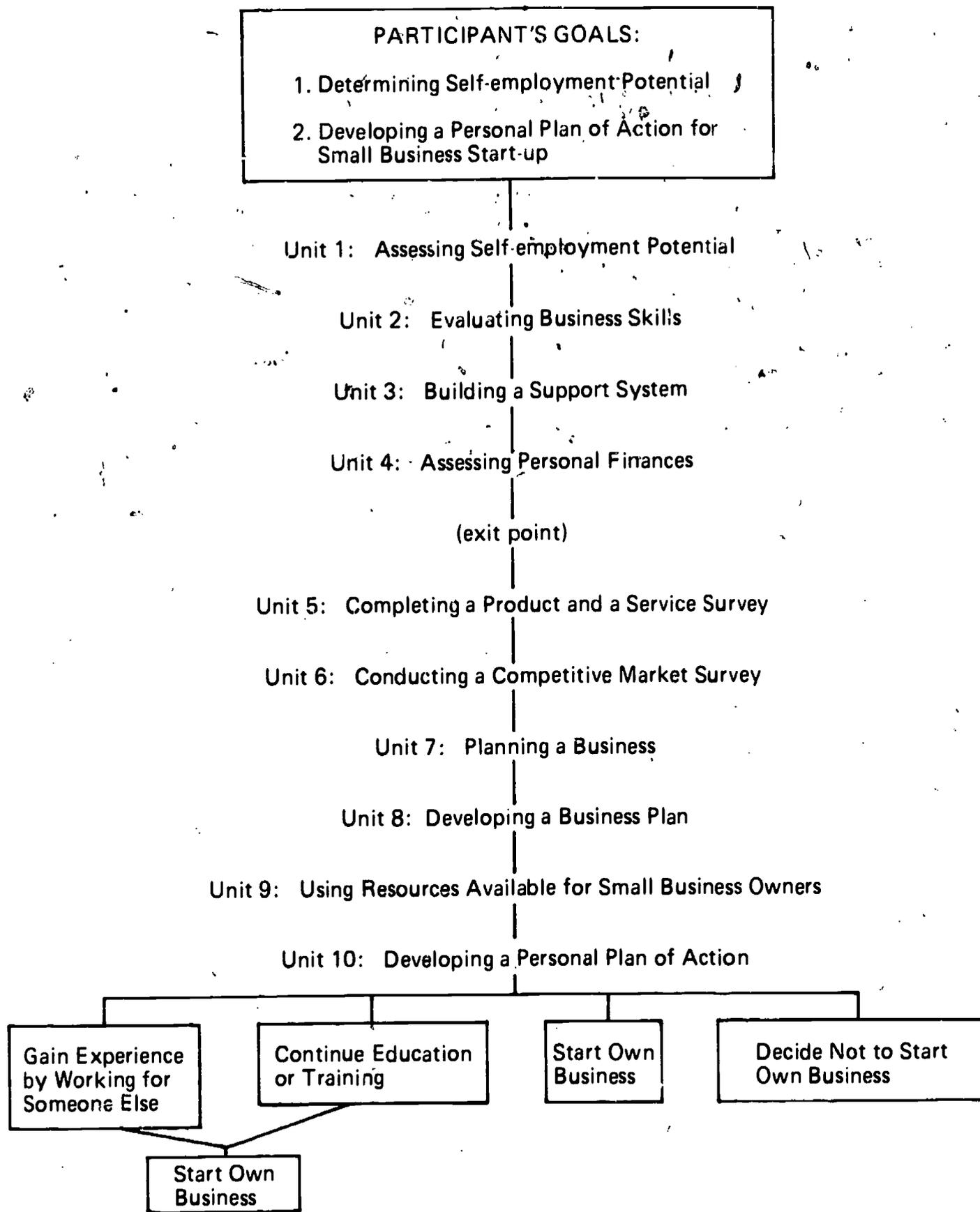
### **Organizational and Instructional Design**

#### **Organizational Format**

This training package is made up of the following 10 units.

- Unit 1: Assessing Self-employment Potential
- Unit 2: Evaluating Business Skills
- Unit 3: Building a Support System
- Unit 4: Assessing Personal Finances
- Unit 5: Completing a Product or Service Survey
- Unit 6: Conducting a Competitive Market Survey
- Unit 7: Planning a Business
- Unit 8: Developing a Business Plan.
- Unit 9: Using Resources Available for Small Business Owners
- Unit 10: Developing a Personal Plan of Action

Units 1-4 relate specifically to the accomplishment of goal 1, which is to determine potential for self-employment, and units 5-10 relate specifically to the accomplishment of goal 2, which is to develop a personal plan of action for small business start-up. Following the completion of units 1-4, some participants in the course may have already determined that they do not want to be self-employed; if so, they should be given the option of exiting the course or continuing. One of the following four outcomes is possible for those participants who complete all 10 units:



**Figure 2. Business start-up exploration for displaced adults**

- Work for someone else to gain experience before starting their own business
- Start their own business as a sole proprietorship, partnership, franchise, or corporation
- Continue entrepreneurship education or training and then start their own business
- Decide not to start their own business

Figure 2 depicts the organizational design of this training package.

### Instructional Format

Each of the 10 units begins with an introduction that includes the following items:

- **Topic**—title or focus of the unit
- **Purpose**—overall goal to be attained in this unit
- **Objective(s)**—chains of individual attainments leading to achievement of unit goal
- **Material(s)**—handouts and transparencies needed for the unit
- **Product(s)**—tangible result(s) produced by participants
- **Assignment**—out-of-class activity in support of in-class activity
- **Notes to instructor**—additional comments about techniques and methods to use in the unit
- **Estimate time**—approximate time to spend on unit activities

The introduction is followed by a well-defined course of action, depicted by the "T" format (see figure 3).

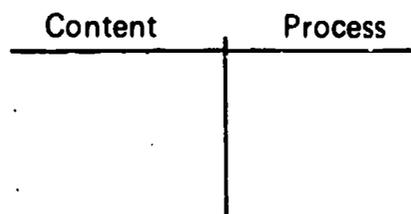


Figure 3. "T" format

In figure 3, the left-hand column (content) provides a summary of the materials to be covered in each unit. Questions about what to teach are answered here. The material is presented in an inductive way, progressing from general to specific. The right-hand column (process) suggests techniques and methods to be used. These are appropriate for adult learning styles and incorporate a variety of print, audiovisual, group, and individual activities.

## **Instructional Methodology**

Recognizing that adults bring varying amounts of experience and expertise to each learning activity, the instructional strategies suggested in this guide incorporate as much practicality as possible. For example, the technical subject matter is presented in a group discussion-lecture style that employs buzz sessions, question and answer periods, and spontaneous participant reaction activities (for example, brainstorming). These activities will encourage participants to build on previous experiences. Whenever possible, presentations by outside speakers and surveys and interviews with the small business sector are planned.

The learning activities in this training package have been designed to capitalize upon the creativity of the participant in a realistic context. Consequently, there are no right or wrong answers to the questions asked. The important objective to focus on is the procedure and the thought process that the participants are required to utilize as they experience each learning process.

## **Instructional Aids**

The instructional aids to be used in each unit are included in this package. Instructor preparation materials, handouts, and transparencies are labeled and placed at the end of each unit. Handouts are labeled "HO" followed by the unit number and handout number (HO 3-2 is interpreted as handout number 2 in unit 3). Transparencies are labeled in a similar fashion (TP 3-1 is transparency number 1 in unit 3).

Instructors may wish to add to the content in this training package or suggest additional material for individuals who need further instructions. The *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* is an example of such material.

*PACE* consists of 18 instructional modules. Each module includes objectives, content, activities, and posttests and can be used separately or expanded into an entire course. Also, *PACE* is offered at three levels of learning (54 modules in total). Level 1 exposes participants to entry-level entrepreneurship concepts. Level 2 assists participants in developing a detailed business plan based upon the principles of entrepreneurship. Level 3 has participants build upon their entrepreneurial knowledge and experience to become competent in the management of small business. In addition, there is an instructor's guide for each level and a total resource guide. *PACE* can be purchased from the National Center for Research in Vocational Education. See directions on the inside of the back cover of this publication.

Figure 4 graphically displays the instructional design of this training package.

## **Instructional Setting**

This training package is designed for the convenience of busy adults, both participants and instructors. All 10 units can be used as a package and conducted in 1 of the following ways:

- Ten 3-hour sessions, 1 per week for a total of 10 weeks
- Five 3-hour sessions, 2 per week for a total of 5 weeks
- Four all-day Saturday sessions

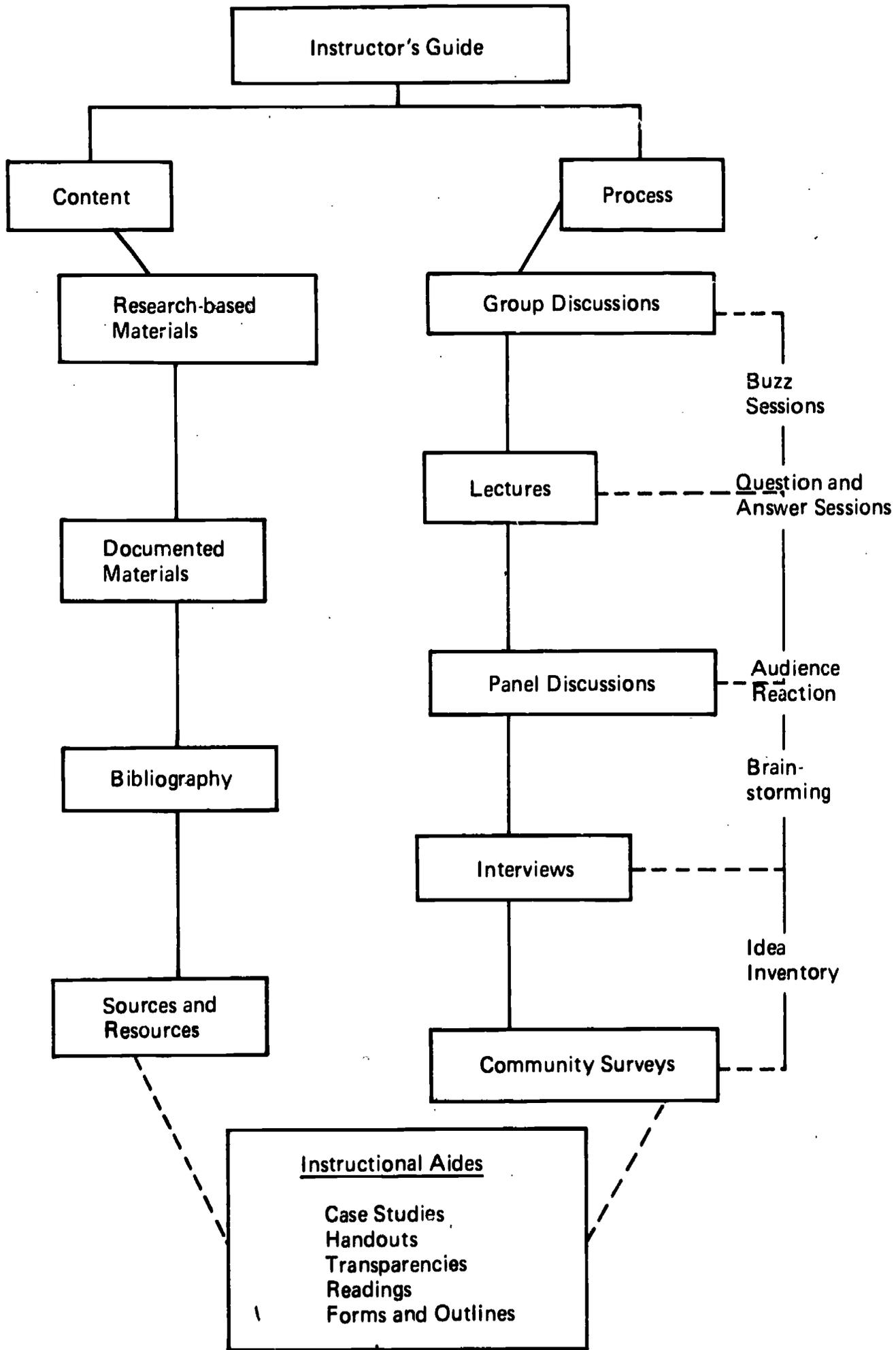


Figure 4. Schematic profile of training package

Furthermore, units can also be used individually or combined to meet participants' entrepreneurship education needs and to suit the setting (short course, workshop, seminar, or conference session) in which the material is presented, as in these four examples:

- Unit 1 could serve as a workshop or conference session for those thinking about self-employment and wanting to know if they are likely candidates.
- Unit 2 could be used in a workshop setting to help individuals considering self-employment determine those areas in which they might need technical assistance.
- Units 3-9 could be used in a seminar setting to help potential small business owners start a support system and increase their awareness of available resources.
- Units 4-8 could be used as a short course to help participants develop a preliminary business plan.

Finally, this package could be used in total or in part in the following settings:

- A community schools program for targeted adult audiences
- The adult education program in a vocational education school
- A community college course
- A local U.S. Small Business Administration Office (SBA) service
- A continuing education program at the local college or university
- An industry program for workers about to be laid off or retired

### **Community Advisory Committee**

To assist the instructor in planning, implementing, and evaluating the program and to encourage participants to consult with community people for technical assistance and support, it is suggested that the instructor organize an advisory committee of four to six community persons. Such a committee could include the following types of representatives:

- Banker or other financial person
- College or university professor
- Chamber of commerce member
- Local small business administration representative
- Local small business owner
- Lawyer or legal consultant

This committee could be used at all stages of the course: planning, implementing, and evaluating the course. Specifically, these people would agree to serve as advisors and to act as a support system for participants during the program. The following units have been designed to utilize part or all of the community advisory committee in the following ways:

- Unit 3 suggests that a local small business owner talk about personal experiences in developing a support system and in describing a personal mentor relationship.
- Unit 4 suggests that—
  - a faculty member in consumer education or a counselor from a consumer credit counseling service help participants generate a personal budget;
  - a small business owner talk about credit references and other documents required before debt financing is extended; and
  - representatives from a bank, finance company, life insurance company, savings and loan, and Federal loan participants discuss financing opportunities.
- Unit 5 suggests that a chamber of commerce research manager or local State department of commerce labor economist discuss the prospects for small business development in the local area.
- Unit 6 suggests that 2 small business owners discuss marketing and location factors.
- Unit 7 suggests that the whole committee help participants with the financial planning exercise.
- Unit 8 suggests that the whole committee help participants in the development of preliminary business plans.
- Unit 10 contains an evaluation form committee members can use to critique the course.

### **Marketing the Program**

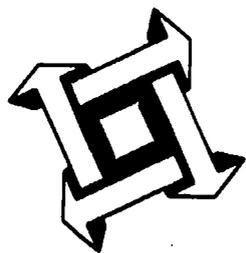
Educators and trainers can identify potential clients for this program by contacting various agencies that provide support services for displaced adults:

- Adult basic education and high school continuation programs
- Local employment services offices
- Private Industry Council/Job Training Partnership Act
- Public libraries
- Civic, government, business, and industrial organizations

After potential participants have been identified, the following strategies can be used to recruit them into the program:

- Disseminate information brochures, fliers, or letters to clients to explain the program
- Visit responsive agencies and give seminars, workshops, or informal talks about the programs
- Contact radio and TV stations to make public service announcements about the self-assessment entrepreneurial program

Also, former students can be asked to serve as advocates once the program is underway. Word-of-mouth communication through networks for displaced adults will also attract potential participants.



# **Assessing Self-Employment Potential**

## UNIT 1

**Title:** **ASSESSING SELF-EMPLOYMENT POTENTIAL**

**Purpose:** This unit is designed to help participants evaluate their desire to become small business owners.

**Objectives:** Upon completion of this unit, participants will—

- have an awareness of the importance of new small businesses in our economy and
- have evaluated their personal characteristics in relationship to research on entrepreneurs.

**Materials:**

- Handout 1-1: Why the Emphasis on Self-employment?
- Handout 1-2: Entrepreneurial Options
- Handout 1-3: Occupational Employment Projections
- Handout 1-4: Standard Industrial Codes
- Handout 1-5: Entrepreneurship Self-assessment Profile
- Handout 1-6: Entrepreneurs Are . . .
- Handout 1-7: Taking Control
- Handout 1-8: The Displaced, Uncomfortable Entrepreneur
- Handout 1-9: Shapero's Laws
- Handout 1-10: Entrepreneurship Self-assessment Profile Guide

- Transparency 1-1: Class Objectives
- Transparency 1-2: What Is an Entrepreneur?
- Transparency 1-3: Reasons for Business Failure
- Transparency 1-4: Personality Factors of Self-employed Persons

**Product:** Self-assessment of Entrepreneurial Characteristics

**Assignment:** Read HO 1-8 and 1-9.  
Complete list of job-related experiences.

**Notes to  
Instructor:** None

<b>Estimated time:</b>	Class introductions	30 minutes
	Small business overview	60 minutes
	Self-assessment profile	10 minutes
	Characteristics presentation	45 minutes
	Self-assessment profile analysis	30 minutes
	Assignment	5 minutes

## CONTENT

## PROCESS

**A. Overview of Class**

For this class you will need a large three-ring notebook to keep handouts and notes. You will also need a file box, 5" by 8" file cards, and divider tabs to develop a community resource and technical assistance file.

The materials collected during the class will be used to develop a personal business plan, both now and later.

This class is designed to help you make some decisions about the *desirability* of starting your own business. That is, is it a choice that will work well with your personality, life-style, and background? Does it fit your personal needs?

This class will also help you evaluate the *feasibility* of starting a business of your own choice. You may have many needed skills and you may find you lack certain skills.

By the time you have finished this class, you will be able to assess your potential to be a small business owner. No one can do this for you. It is a highly personal decision. We are here to think about that decision together. As a group we will be able to provide a great deal of support for each others' ideas and perhaps some solutions to our problems.

When you complete this course, you will be able to determine which of these choices is right for you:

Introduce yourself.

Pair off participants and ask them to spend 10 minutes interviewing their partners. Then have them introduce their partners to the whole class mentioning three or four things they learned about the person (where from, family, hobbies or interests, education, work, and so on).

Ask participants to bring the notebook each week; the file box will be needed the third week.

Explain the purpose of the class and what participants should hope to accomplish.

Ask participants what they would hope to accomplish in this class. Listen to their needs and if they are not already addressed as part of the class objectives, see if they can be added.

Show TP 1-1: Class Objectives.

## CONTENT

## PROCESS

- Start your own business.
- Find a job to provide more experience *before* starting your own business
- Go to school to build your skills *before* starting your own business
- Decide that starting your own business is not for you

Any of these choices are highly appropriate. It is important to help new businesses get started—but it is more important to help you make a success-oriented decision.

#### B. Entrepreneurs in the American Economy

The first thing we need to do is define the word *entrepreneur*.

An *entrepreneur* is an individual who undertakes all the risks related to forming and operating a small business. This involves performing all business functions associated with a product or service and includes social responsibilities and legal requirements.\*

Here are some variations of the word entrepreneur:

- **Entrepreneurial**—an adjective or descriptive form of the word entrepreneur
- **Entrepreneurship**—the process that embodies all the experiences and activities (that is, education and training)

Briefly explain the community advisory committee you have put together to work with the class throughout the course. Go into as much detail as you think necessary at this time (give names, representation, function, and so on).

Define *entrepreneur*.

Refer to TP 1-2: What Is an Entrepreneur?

\*This definition is provided by the Entrepreneurship Task Force of the Office of Vocational and Adult Education, U S Department of Education

**CONTENT****PROCESS**

involved in becoming a small business owner

The word entrepreneur, through this class, is used interchangeably with *small business owner* and *self-employed person*.

Now let's talk about entrepreneurs, or small business owners, in the American economy.

New business start-ups are at an all-time high in the United States and have provided the job supply that pulled us through the recent recession.

At the same time, a great number of new businesses either fail-or close because the owner decides to do something else.

There are all kinds of opportunities in this community and State for new small businesses. Many of the areas of greatest job growth in the future are related to service businesses. These are perhaps the least expensive to start up. Think of the different options for starting your own business. Stores are just one type of business and often require a pretty large start-up investment. Consider the possibilities of these types of entrepreneurial options as well:

- Self-employed
- Team builders
- Inventors
- Pattern multipliers
- Economy of scale exploiters
- Acquirers
- Buy-sell artists

Discuss HO 1-1: Why the Emphasis on Self-employment?

Discuss TP 1-3: Reasons for Business Failure.

Discuss HO 1-2: Entrepreneurial Options. Note, too, that this handout broadens the original definition of entrepreneur.

CONTENT	PROCESS
<ul style="list-style-type: none"> <li>• Speculators</li> <li>• Internal entrepreneurs</li> </ul> <p>When you look at job predictions of the future, realize that high technology is only a small part of our predicted job growth areas. Each of these 40 top job growth areas has possibilities for the "entrepreneurial spirit."</p> <p>"How can I begin to think about a business I could start?" This question is a matter of personal creativity. But it also depends on knowing what kinds of businesses there are.</p> <p>A quick look at the Standard Industrial Codes (SIC) shows some possibilities.</p> <p><b>C. Personal Characteristics of Entrepreneurs</b></p> <p>If entrepreneurs could be identified in advance, we would select the people who should be in this class. But as you will find, the personalities and life histories of entrepreneurs vary greatly.</p> <p>Much research has been conducted to determine just what we do know about self-employed people. Let's do a little research with our group.</p> <p>Read the instructions for the Entrepreneurship Self-assessment Profile and answer the questions honestly. There are no wrong answers.</p> <p><b>D. What We Know about Entrepreneurs</b></p> <p>Research shows that entrepreneurs tend to have certain life-style patterns and personality characteristics. Note, however, that there is no absolute definition of what you have to be like—just some tendencies that have been observed.</p>	<p>Discuss HO 1-3: Occupational Employment Projection.</p> <p>Ask participants to name occupations that would not benefit from entrepreneurship.</p> <p>Discuss which types of businesses are needed in this community.</p> <p>Discuss HO 1-4: Standard Industrial Codes.</p> <p>Discuss HO 1-5: Entrepreneurship Self-assessment Profile.</p> <p>Allow approximately 10 minutes to answer the questions, then tell participants to put the profile aside for later use.</p>

## CONTENT

## PROCESS

**1. Life Background**

Entrepreneurs exhibit a life-style that sets them apart from people who choose to work for others. Their childhoods, social relationships, and such minor things as the use of personal time are often the same. Most of them came from families where fathers weren't around and mothers ran the show. They were usually given adult responsibilities at an early age.

There are some who think that entrepreneurs are born, not made. A study of company founders conducted by the National Federation of Independent Business suggests that a variety of life-time experiences encourage people to become small business owners.

**2. Personality Factors**

The *Encyclopedia of Entrepreneurship*\* summarizes a number of research projects designed to help us understand the entrepreneur. In this book, 42 personality characteristics are identified as being present in surveyed small business owners. These qualities that turn up in most studies are these:

- Self-confidence
- Perseverance, determination
- Energy, diligence
- Resourcefulness
- Ability to take calculated risks
- Need to achieve
- Creativity

Discuss HO 1-6: Entrepreneurs Are . . .

Show TP 1-4: Personality Factors of Self-employed Persons.

\*Calvin A. Kent, Donald L. Sexton, and Karl H. Vesper. *Encyclopedia of Entrepreneurship* (Englewood Cliffs, NJ: Prentice-Hall, 1982), 28.

CONTENT	PROCESS
<ul style="list-style-type: none"> <li>• Initiative</li> <li>• Flexibility</li> <li>• Positive response to challenges</li> <li>• Independence</li> <li>• Foresight</li> <li>• Dynamism, leadership</li> <li>• Versatility in knowledge</li> <li>• Ability to get along with people</li> <li>• Responsiveness to suggestions and criticism</li> <li>• Profit orientation</li> <li>• Perceptiveness</li> <li>• Optimism</li> </ul> <p>Albert Shapero, in a commencement address at The Ohio State University, December 1982, said that entrepreneurs are not born—they <i>become</i> through experience.</p> <p>If you wish to be an entrepreneur, major characteristics to develop in your life include the following:</p> <ul style="list-style-type: none"> <li>• Independence</li> <li>• Desire to control one's own life</li> <li>• Optimism</li> <li>• Creativity</li> <li>• Tolerance for ambiguity in one's life</li> </ul> <p>Professor Shapero has identified a <i>displacing event</i> as the impetus a person needs to become self-employed.</p>	<p>Distribute HO 1-7: Taking Control.</p> <p>Discuss the major points listed here that are addressed by Shapero.</p> <p>Ask students to read for next time HO 1-8: The Displaced, Uncomfortable Entrepreneur and HO 1-9: Shapero's Laws.</p>

**CONTENT****PROCESS****3. Life-styles**

To be an independent person and take charge of your own life requires some decisions about your use of time, dependence on other people, control by other people in your life, and need for socializing.

People who run their own businesses must work these items into and around their personal priorities to get a business going successfully—often on a limited financial basis.

Therefore, if you need a lot of time in your life to take vacations, sleep, read, watch TV, go to parties, or babysit, starting your own business may cause personal frustration.

Your family will need to be supportive of your decision to spend your time and capital on the business.

What areas of life-style must you consider in deciding if entrepreneurship is for you?

Possible areas to examine may include these:

- Family responsibilities
- Who controls your life
- Financial status
- Need for friends
- Others

Discuss how one's preferred life-style might or might not affect running one's own business.

Ask the class what areas of their life-style they must alter if they choose an entrepreneurial career. List their answers on the chalkboard or a blank transparency.

**CONTENT****PROCESS****E. Analyzing the Self-assessment Profile**

The 50 questions on the Entrepreneurship Self-assessment Profile have been grouped into these categories:

- Personal background
- Behavior patterns
- Life-style

Each question addresses specific areas that relate to entrepreneurs, as noted in parentheses following each question. The answers that you see here are what studies show to be the commonly given response of small business owners. You will want to compare your answers to what is shown on the Self-assessment Profile Guide.

What personal weaknesses did you discover?

Can you be an entrepreneur with these weaknesses?

What can you do to improve your areas of weakness?

Is your life-style compatible with the demands placed upon an entrepreneur?

Unit 3 will deal with forming a support system as one way to compensate for personal and technical skill weaknesses.

Distribute HO 1-10: Entrepreneurship Self-assessment Profile Guide.

Allow participants approximately 15 minutes to study the Self-assessment Profile Guide and to answer the questions at the end of the guide.

Discuss participants' responses.

**CONTENT****PROCESS**

Remember, this was not a test but is meant to give you some idea of how your personal life-style, background, and behavior compare to what we know about the life-style, background, and behavior of self-employed persons.

**F. Assignment**

Next, we will be looking at your experiences as they relate to your success as a small business owner.

Ask class members to list all job-related experiences (paid and voluntary), courses, workshops, and any activities related to business. This is for future use, not for the instructor to grade.

## Why the Emphasis on Self-employment?

- Currently, there are approximately 16.3 million *U.S. small businesses* not including the single employee operations of which there are probably another 7.1 million. This is a total of 23.4 million businesses and represents 106 million jobs in total.
- Small business income during 1983 increased 18 percent over the past year, while wage and salary expense rose only 6.1 percent.
- Business bankruptcies, most of which occur in small businesses, declined 10.5 percent during 1983—a marked improvement over the previous year.
- In 1981 and 1982, small independent firms created 2,650,000 *new jobs*, more than compensating for the 1,664,000 jobs lost by large industry.
- More than half of the new jobs created in 1981 and 1982 were in the *service sector*.
- Small businesses furnish *two-thirds of the jobs for new workers*. Many of these are in the services sector, the traditional doorway to the job market for the young, minority, and unskilled job seekers.

*Women-owned businesses* are growing at an all-time high. In 1983, 2.8 million sole proprietorships were owned by women (4 times the number in 1977). Including partnerships and corporations the number exceeds 3.7 million, or 25 percent of all small businesses.

- Small businesses employ 48 percent of the private work force.
- *Ninety percent* of the small businesses in the United States *employ fewer than 10 people*.
- In 1983, 600,000 new business incorporations occurred—20,000 more than the previous record established in 1981.

SOURCE: U.S. Small Business Administration, *The State of Small Business: A Report of the President* (Washington, DC: Government Printing Office, March 1984), executive summary.

## Entrepreneurial Options

Before you begin, let's talk about the type of entrepreneur you might choose to be. Each type is needed to help our Nation grow. Let's look at the possibilities. Most people agree that entrepreneurs tend to be independent operators, though they sometimes work in teams. They take initiative to make a profit on business opportunities, but there is room for the following differences in the type of entrepreneur you choose to be.

1. **Self-employed individuals** are those who perform all the work and keep all the profit. This includes everything from family-run stores, agents, repairpersons, accountants, to physicians and lawyers. It can be full-time or part-time because no one else is involved.
2. **Team builders** are those who start a business and expand as fast as possible in order to be able to hire other employees. Most of the time, these additional employees have needed expertise that the owner does not have.
3. **Inventors** are those with particular inventive abilities who design a better product and then create companies to develop, produce, and sell the item. High-technology companies of this type are a new trend.
4. **Pattern multipliers** are those who look for an idea someone else has already created and then create their own business based on following another's model. Franchise operation or chain stores are a form of this approach.
5. **Economy of scale exploiters** are those who benefit from large volume sales by offering discount prices and operating with very low overhead.
6. **Acquirers** are those who take over a business started by another and use their own ideas to make it successful. This often happens when there is a financial problem in the current operation. Fresh management ideas may save the business.
7. **Buy-sell artists** are those who buy a company for the purpose of improving it before selling it for a profit.
8. **Speculators** are those who purchase a commodity and resell it for a profit. Real estate, art, antiques, and crops are typical speculator items.
9. **Internal entrepreneurs** are those who create new ideas and make them into a successful project within an existing business. Although they have neither the profit nor the personal financial risk of their own business, they need to use the same methods of operation.

SOURCE: Adapted from Carl Vesper, *New Venture Strategies* (Englewood Cliffs, NJ: Prentice-Hall, 1980), 3-11.

**Occupational Employment Projections  
Forty Occupations with Largest Job Growth  
1982 to 1995**

**Table 2. Forty occupations with largest job growth, 1982-85**

Occupation	Change in total employment (in thousands)	Percent of total job growth	Percent change
Building custodians	779	3.0	27.5
Cashiers	744	2.9	47.4
Secretaries	719	2.8	29.5
General clerks, office	686	2.7	29.6
Salesclerks	685	2.7	23.5
Nurses, registered	642	2.5	48.9
Waiters and waitresses	562	2.2	33.8
Teachers, kindergarten and elementary	511	2.0	37.4
Truckdrivers	425	1.7	26.5
Nursing aides and orderlies	423	1.7	34.8
Sales representatives, technical	386	1.5	29.3
Accountants and auditors	344	1.3	40.2
Automotive mechanics	324	1.3	38.3
Supervisors of blue-collar workers	319	1.2	26.6
Kitchen helpers	305	1.2	35.9
Guards and doorkeepers	300	1.2	47.3
Food preparation and service workers, fast food restaurants	297	1.2	36.7
Managers, store	292	1.1	30.1
Carpenters	247	1.0	28.6
Electrical and electronic technicians	222	.9	60.7
Licensed practical nurses	220	.9	37.1
Computer systems analysts	217	.8	85.3
Electrical engineers	209	.8	65.3
Computer programmers	205	.8	76.9
Maintenance repairers, general utility	193	.8	27.8
Helpers, trades	190	.7	31.2
Receptionists	189	.7	48.8
Electricians	173	.7	31.8
Physicians	163	.7	34.0
Clinical supervisors	162	.6	34.6
Computer operators	160	.6	75.8
Sales representatives, nontechnical	160	.6	27.4
Lawyers	159	.6	34.3
Stock clerks, stockroom and warehouse	156	.6	18.8
Typists	155	.6	15.7
Delivery and route workers	153	.6	19.2
Bookkeepers, hand	152	.6	15.9
Cooks, restaurants	149	.6	42.3
Bank tellers	142	.6	30.0
Cooks, short order, specialty and fast food	141	.6	32.2

Note: Includes only detailed occupations with 1982 employment of 25,000 or more. Data for 1985 are based on moderate-trend projections.

SOURCE: Reprinted from "Occupational Employment Projections through 1995," *Monthly Labor Review* 106, no. 11 (November 1983): 45.

## Standard Industrial Codes

### DIVISION D. MANUFACTURING

20. Food and kindred products
21. Tobacco manufacturers
22. Textile mill products
23. Apparel and other finished products made from fabrics and similar materials
24. Lumber, wood products (except furniture)
25. Furniture and fixtures
26. Paper and allied products
27. Printing, publishing, and allied industries
28. Chemicals and allied products
29. Petroleum refining and related industries
30. Rubber and miscellaneous plastics products
31. Leather and leather products
32. Stone, clay, glass, and concrete products
33. Primary metal industries
34. Fabricated metal products (except machinery and transportation equipment)
35. Machinery (except electrical)
36. Electrical and electronic machinery, equipment, and supplies
37. Transportation equipment
38. Measuring, analyzing, and controlling instruments; photographic, medical, and optical goods; watches and clocks
39. Miscellaneous manufacturing industries

### DIVISION F. WHOLESALE

50. Wholesale trade—durable goods
51. Wholesale trade—nondurable goods

### DIVISION G. RETAIL TRADE

52. Building materials, hardware, garden supply, and mobile home dealers
53. General merchandise stores
54. Food stores
55. Automotive dealers and gasoline service stations
56. Apparel and accessory stores
57. Furniture, home furnishings, and equipment stores
58. Eating and drinking places
59. Miscellaneous retail

SOURCE: U.S. Small Business Administration, *The State of Small Business: A Report of the President* (Washington, DC: Government Printing Office, March 1984), p. 77.

**Standard Industrial Codes—Continued****DIVISION I. SERVICES**

- 70. Hotels, rooming houses, camps, and other lodging places
- 72. Personal services
- 73. Business services
- 75. Automotive repairs, services, and garages
- 76. Miscellaneous repair services
- 78. Motion pictures
- 79. Amusement and recreation services (except motion pictures)
- 80. Health services
- 81. Legal services
- 82. Educational services
- 83. Social services
- 84. Museums, art galleries, and botanical and zoological gardens
- 86. Membership organizations
- 88. Private households
- 89. Miscellaneous services

## Entrepreneurship Self-assessment Profile

Instructions: This questionnaire will help you look at your personal background, behavior patterns, and life-style in relation to what is known about entrepreneurs. The questions were designed to represent some of the characteristics studies have shown that entrepreneurs tend to exhibit. Put an **X** under the response—**Rarely or No** or **Mostly or Yes**—that best represents your answer to each question. Be honest—there are no wrong answers. Complete all 50 questions.

	Rarely or No	Mostly or Yes
1. Do you worry about what others think of you?	_____	_____
2. Do you read books?	_____	_____
3. Do you take risks for the thrill of it?	_____	_____
4. Do you find it easy to get others to do something for you?	_____	_____
5. Has someone in your family shared the experience of starting a business with you?	_____	_____
6. Do you believe in organizing your tasks before getting started?	_____	_____
7. Do you get sick often?	_____	_____
8. Do you enjoy doing something just to prove you can?	_____	_____
9. Have you ever been fired from a job?	_____	_____
10. Do you find yourself constantly thinking up new ideas?	_____	_____
11. Do you prefer to let a friend decide on your social activities?	_____	_____
12. Did you like school?	_____	_____
13. Were you a very good student?	_____	_____
14. Did you run with a group in high school?	_____	_____
15. Did you participate in school activities or sports?	_____	_____
16. Do you like to take care of details?	_____	_____
17. Do you believe there should be security in a job?	_____	_____
18. Will you deliberately seek a direct confrontation to get needed results?	_____	_____

### Entrepreneurship Self-assessment Profile—Continued

	Rarely or No	Mostly or Yes
19. Were you the firstborn child?	_____	_____
20. Was your father mostly present during your early life at home?	_____	_____
21. Were you expected to do odd jobs at home before 10 years of age?	_____	_____
22. Do you get bored easily?	_____	_____
23. Are you sometimes arrogant about your accomplishments?	_____	_____
24. Can you concentrate for extended periods of time on one subject?	_____	_____
25. Do you, on occasion, need pep talks from others to keep you going?	_____	_____
26. Do you find unexpected energy resources as you tackle things you like?	_____	_____
27. Does personal satisfaction mean more to you than having money to spend on yourself?	_____	_____
28. Do you enjoy socializing regularly?	_____	_____
29. Have you ever deliberately exceeded your authority at work?	_____	_____
30. Do you try to find the benefits of a bad situation?	_____	_____
31. Do you blame others when something goes wrong?	_____	_____
32. Do you enjoy tackling a task without knowing all the potential problems?	_____	_____
33. Do you persist when others tell you it can't be done?	_____	_____
34. Do you take rejection personally?	_____	_____
35. Do you believe that you generally have a lot of good luck that explains your successes?	_____	_____
36. Are you likely to work long hours to accomplish a goal?	_____	_____

**Entrepreneurship Self-assessment Profile—Continued**

	<b>Rarely or No</b>	<b>Mostly or Yes</b>
37. Do you enjoy being able to make your own decisions on the job?	_____	_____
38. Did you wake up happy most of your life?	_____	_____
39. Can you accept failure without admitting defeat?	_____	_____
40. Do you have a savings account and other personal investments?	_____	_____
41. Do you believe that entrepreneurs take a huge risk?	_____	_____
42. Do you feel that successful entrepreneurs must have advanced college degrees?	_____	_____
43. Do you strive to use past mistakes as a learning process?	_____	_____
44. Are you more people oriented than goals oriented?	_____	_____
45. Do you find that answers to problems come to you out of nowhere?	_____	_____
46. Do you enjoy finding an answer to a frustrating problem?	_____	_____
47. Do you prefer to be a loner in your final decision?	_____	_____
48. Do your conversations discuss people more than events or ideas?	_____	_____
49. Do you feel good about yourself in spite of criticism of others?	_____	_____
50. Do you sleep as little as possible?	_____	_____

## Entrepreneurs Are . . .

### Entrepreneurs

There are some who think that people who start businesses—entrepreneurs—are "born, not made." Yet, the study of company founders suggests that a variety of experiences which people have may make them more or less likely to start their own businesses. These experiences may involve their families, or take place in school or on the job.

One major influence is the family. People who start companies are more likely to come from families in which their parents or close relatives were in business for themselves. These older people were examples or "models" for the children. Whether they were successful or not probably

working in businesses. It becomes easy for them to think of themselves as people who can start businesses also.

People who start companies seem to have certain psychological characteristics. They believe that they can control their own destinies. They are less likely to think that forces beyond their control, such as luck or fate, will determine their success. They believe that through their efforts, their determination, and their hard work they can make their businesses succeed.

Many entrepreneurs also tend to be goal-setters. They gain satisfaction from setting goals which are moderately challenging (but not impossibly difficult) and then achieving those goals. They see themselves

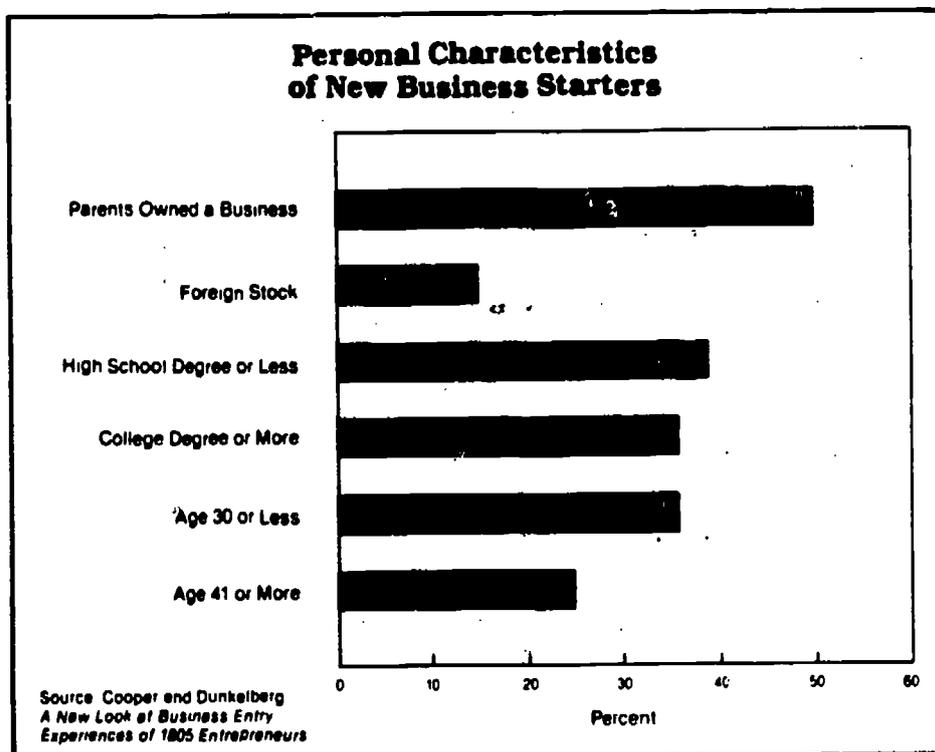
as taking moderate risks in achieving their goals. To an outside observer, the process of starting a firm may seem to involve enormous risks. However, to the entrepreneur, who believes that he or she can make that business successful, the risks seem more moderate.

The age of the founder at the time he or she is interested in starting a business is also a factor. People of all ages start businesses, but many are in the age range of about 25 to 40. Younger people might have strong desires to start businesses, but often do not have the money or experience needed. Older people may have money and experience, but they also often have obligations to support families and may be reluctant to risk what they have achieved.

So we see that some backgrounds are most typical for entrepreneurs. However, this does not mean that people with other backgrounds cannot or do not start businesses. It is just that a certain background may make a person more prepared—more likely to take the step if the right opportunity arises.

All of this suggests that some people are more likely to start new businesses than others. Whether they actually do depends upon other factors which we shall now consider.

**Personal Characteristics  
of New Business Starters**



didn't matter. However, for the children growing up in such a family, the action of starting a new business seems possible—something they can do.

In the same way, many cultural groups, such as Jews in America, or Cuban immigrants in Miami, or the Chinese in Southeast Asia have a tradition of members starting new businesses. Sometimes, they have been prevented from working for others because of prejudice. Children growing up in such groups are surrounded by examples of entrepreneurship. They learn what is involved in

SOURCE: Reprinted from *Entrepreneurship: Starting a New Business* by Arnold Cooper. Copyright 1982 by National Federation of Independent Business.

## Entrepreneurs Are . . .—Continued

### Motivation

Many people have the backgrounds and psychological makeups which could lead them to start new firms. Yet only some of these people ever take the step of giving up a job and investing their time and money in a new business.

One factor at work here involves what might be called dislocations or pushes. These are forces which cause a person to move out of a comfortable "rut." Why should anyone give up the security of a job for the uncertainties of trying to get a business started? It helps if the person is at a time of change —if the decision has already been made to give up a previous job or an existing lifestyle. Thus, immigrants such as the Cubans who have come to Miami are at a point of change in their lives. Workers who lose their jobs because of layoffs must decide what they will do next. Managers who are frustrated because their companies turn down their ideas or because they don't get a desired promotion may be determined to make a change. Often, a specific event will "trigger" the change. A person may foresee an approaching birthday and think, "I'll soon be forty. It's now or never." Or, a fight with the boss may move a person to a stage in which he or she begins to think, "What will I do next?"

Of course, most people who make changes in their lives don't start new businesses. Those who do take this step often have the characteristics listed earlier. They may also be influenced by what they know of others who have started businesses. If these are people they can identify with—relatives, fellow-employees, or friends—they are more likely to see this as something that they can do. Some families have a history of entrepreneurship; some industries, such as advertising, or construction, or the manufacture of electronic components, are noted for a high birth rate of new firms; some organizations have many employees leaving to start new firms. People who are involved in such families, industries, or organizations are surrounded by examples of what is involved in starting a company. Not only can they learn from others, they can see what is involved. For them, it is psychologically easier to take this step.

## Taking Control

Studies of entrepreneurship have been made in many cultures, in many countries, across a broad spectrum of industries and time periods. As the data accumulates a clearly etched pattern emerges. The Zulu and Xhosa entrepreneurs I worked with in South Africa, the Northern Italians, the Brazilians and the Texas PhD's express common reactions to the events in their lives and manifest similar motivations.

The primary, driving motivation of the entrepreneur is independence. The motivation of the entrepreneur is not money as is popularly assumed. In hundreds of interviews in many countries my colleagues and I have asked entrepreneurs how much money they would take to work for someone else, to become a manager in a corporation. No matter how they've complained about the difficulty of dealing with the economy, government regulations and the unions, the answer is always the same, "There is no way I will work for others!" or the answer is, "I will take 50 % of my current income and I will be in charge!" When asked what they would do if they lost their companies through some act of God, the answer is unhesitating, "Start another company." One study found that each of the heads of companies acquired by major corporations in the sample intended to leave and start another company.

It is interesting that a number of sociologists and economists who have had occasion to include entrepreneurs in their studies take exception to the statements of entrepreneurs who tell them that they value their independence. "No!" write the tenured scholars, "They're wrong! They are not free. They depend on their customers and the big companies and the economy. If they had the chance, they'd opt for jobs with security and fringe benefits." The scholars I refer to make such statements despite their surprise that many of those studied are skilled workers perfectly capable of obtaining employment in established companies.

How can we explain the power and attractiveness of this illusion of control over one's own life? Street hawkers in Monterrey, Mexico and Bombay, India love their independence, and, in response to questioners, claim they are happy. A Xhosa entrepreneur in South Africa expressed it all when asked how much money he would take to work for someone else. He answered, "I'll never wear another man's collar again." Those who take control of their own lives will not be imprisoned again for any length of time.

Based on my years of study I find each entrepreneur has made the decision to take control. Each knows he or she can change events. Each knows that one's life space can be affected by his or her actions. Nowhere is the entrepreneur's view of the world more clear than when it comes to taking risks. Conventional wisdom portrays the entrepreneur as a taker of risks, but is someone a risk taker who does not perceive the risk? The great majority of my entrepreneurs tell me they did not perceive much risk in starting their companies. The entrepreneur is not a cool and bloodless analyst calculating the odds of some venture for someone else's decisions and actions. The entrepreneur sees the odds as being affected by his or her personal intelligence, creativity, dedication and persistence.

Those individuals who make the vital decision to take control of their lives differ significantly from those who don't. Recent studies show that entrepreneurs tolerate ambiguity far more easily than corporate managers. They deal more easily with the messy world we inhabit. They survive without assurance of next week's schedule or next month's paycheck. Unlike corporate managers, entrepreneurs do not believe that powerful others control their lives, the sickness of captives. Entrepreneurs know that they may fail, but not because of powerful others. The record is rich with the stories of entrepreneurs who have failed more than once, but who have treated failure as a learning experience, and picked themselves up to start again.

Entrepreneurs are optimistic. They think the future can be good, and that they can make it so. Each new company formation is someone's personal commitment to the future, an act little affected by averages and probabilities. There is my 72-year old in Texas who started a solar energy company expecting to become the biggest factor in the field in ten years time. There are the three French engineering classmates in their 70's who started an engineering company. There is the Zulu in South Africa who started a shoe repair shop at the age of 102. Somehow, that Zulu was clearly not concerned with burnout or in need of a seminar on how to develop hobbies in his golden years.

Entrepreneurs are creative. Each new venture is in itself a creative expression requiring a host of innovations to keep it functioning in the face of the onrush of a thousand unexpected events. To survive the unknown future, to keep that first creativity alive, the entrepreneur is forced to take creative actions and thus to grow creatively since creativity is a characteristic that feeds on itself.

The entrepreneurial decision to take control affects every aspect of life. In a study of long term survivors of dire diseases, I find that they, like the entrepreneurs, do not believe their lives are controlled by powerful others. A similar outlook is found among managers under stress who do not get ill and among those suffering illness who most quickly return to work.

Entrepreneurs are not born, they become. Though some of my colleagues believe that entrepreneurs are born and the task of the teacher is to identify the elite and hone their skills, I tell you they are wrong. My erring colleagues suffer from a belief rooted in the Middle Ages when the teacher's task was to train the children of the lords to make moral decisions. That was a notion rightly rejected by those Americans who founded The Ohio State University and our other great, enriching land-grant colleges.

The characteristics that have been found to denote the entrepreneur from others are not genetically determined or fixed forever in one's earliest years. They are attained through experience. They are hopefully nurtured through education, and they are amenable to personal choice and decision. We humans have the unique capacity to decide, to choose many of the experiences that determine who we will be.

SOURCE: Reprinted from "Taking Control," a commencement address by Albert Shapero, December 1982, at The Ohio State University, Columbus, Ohio.

## The Displaced, Uncomfortable Entrepreneur

by Albert Shapero

THE FIGURE OF THE ENTREPRENEUR stands tall in American folklore and history. Most of us at one time or another muse about building a business, organizing a civic project, or putting together a new department at work. The vision is of how satisfying it would be to grab control of life, to be more than wage slave, to make events happen instead of waiting for the world to move and shake us.

Yet, in a country that still takes personal initiative and enterprise for granted, only 350,000 to 500,000 individuals per year actually start a new company. The rest of us content ourselves with Walter Mitty fantasies, or let the entrepreneurial dream fade into the bureaucratic inertia of our days.

My colleagues and I have spent several years trying to find out why some people become entrepreneurs while others with the same education, the same opportunities and the same incentives

do not. We've studied hundreds of new company formations, as well as scores of new ventures that arise inside existing organizations through the talents of an entrepreneur. Though these events vary greatly, we can now identify some of the conditions and the kinds of personalities that are apt to make an entrepreneurial event occur.

Our primary focus has been on the launching of a new business, which is in many ways a most extraordinary kind of undertaking. When you go into business for yourself you trade off the

Professor Albert Shapero is the William H. Davis Professor of The American Free Enterprise System, The Ohio State University, Columbus, Ohio. His duties include teaching courses in business policy, how management of firms of all sizes must work with the changing marketplace, the effect of government regulation on business, capital needs, and international competition.

Professor Shapero came to The Ohio State University from the University of Texas at Austin, where he was professor of management and served on the Business Research Committee, the Graduate Committee, and the Budget Council. He has written numerous papers and given many major addresses, both in the United States and abroad. In 1975, he served as co-chairman at the First International Meeting on Entrepreneurship and Economic Development.

familiar and the safe for the unknown and the risky. The new business is the only source of support for you and your family. You take on long-term financial obligations with money that belongs to relatives, friends, strangers and institutions. You have to work 14 hours a day, seven days a week, for the foreseeable future. And, after all that, the odds are you'll fail, although there are no reliable data, conventional wisdom says that two thirds of new businesses go under by the fifth year.

We now have specific conditions

that lead people to take such a chance. The simplest route is falling on hard times. Most entrepreneurs are D.P.s, displaced persons who have been dislodged from some nice, familiar niche, and tilted off course. Sometimes they are D.P.s in the most literal sense; political refugees often produce a surge of company formations in their adopted country. The French refugees who left North Africa for France, the East Germans who escaped to West Germany, and the Cubans who fled to Miami are all known for their entrepreneurial energy. In 10 years or so we will probably be noticing the same thing about the refugees air-lifted from Vietnam.

A more common kind of displacement occurs when a person is fired, or the firm he works for brings in an outsider to fill the job he always thought was slated for him. The world, which until then was a pretty cozy place, suddenly

caves in on him. Although the person may be able to find another job easily, he is bitter, insulted, and determined never to let others control him again. So he risks failure to get better control over his destiny.

Displacement can also be positive. For example, a friend approaches you with an attractive idea for a venture. Or there may be a combination of positive forces that pull the individual out of inertia, and negative forces that push him out of it. Whether he moves or not depends on how comfortable his pres-

SOURCE: Reprinted by permission of the publisher, from *Psychology Today*, November 1975, 83-86, 88, and 133.

## The Displaced, Uncomfortable Entrepreneur—Continued

eat situation is and how much pushing and pulling he is subject to. In general, the negative is far more reliable than the positive as a prod to action.

In one set of studies we interviewed 109 people who had formed companies in Austin, Texas. They were founders of technical, accounting, advertising and publishing firms, and boat and hi-fi stores. In 65 percent of the cases, the sole or primary influence on the entrepreneur was negative. We heard the same comments over and over again: "I was hired", "I was told I was going to be transferred to Hoboken by my company, and I just didn't want to go", "I worked for the company for 10 years, day and night, and then they brought in their idiot son as my boss", "My boss sold the company."

Only 28 percent of our informants recalled influences that were positive. They had been encouraged by friends and associates, and more important, by potential customers and backers. The remaining seven percent fell into a category we call nonemployment, or "being between things." They had experienced a break in life pattern, such as finishing school or leaving the military.

**A Magic Number.** Displacement is not always the result of an external event. In a few instances, accounting for perhaps five percent of the total number of cases, an individual simply comes to realize that he has no future or really doesn't want to do his current job the rest of his life. When he tells why he went into business, he may mention a "magic number," usually 40 or 50: "I realized that within three months I was going to be 40, and it was now or never." Outside events may reinforce these feelings, but they do not cause them. Displacement is the result of an internal dialogue.

Other studies back up our findings. In countries all over the world, frustration with one's job, losing one's property because of war, or having one's plant shut down turns the individual into a displaced person and a potential entrepreneur. If he is a political refugee or gets fired, he cannot choose not to act. Otherwise he must respond to the pushing and pulling forces before he makes a decision. In these latter cases, individual characteristics are important in determining whether the person will take the initiative. Not everyone who has a boring or dead-end job is prone to feelings of displacement, and not everyone who feels like a D.P. is ready to go out and start a company.

One important personality characteristic of the entrepreneur is the degree to which he feels he can affect the world around him. In the psychological literature this is known as *locus of control*. Some people are said to be "external" because they believe the rewards they receive in life come from forces outside themselves—luck, fate, or other, powerful people. In contrast, some people are called "internal" because they feel they can influence the course of events for good or ill. Personal destiny, they feel, comes from within. Internals are apt to be relatively self-reliant and to want independence and autonomy. Most people are somewhere in between the two extremes.

"Recently we gave a locus-of-control questionnaire to 101 Texan and 34 Italian entrepreneurs. We used measures from Julian Rotter's Internal-External (I-E) scale, on which scores can range from 0 (very internal) to 23 (very external) [see Julian B. Rotter, "External Control and Internal Control," *pt.*, June 1971]. The average score for our 135 subjects was 6.58, which is much lower than the average scores of other groups that have taken the test. Indeed, to my knowledge, only Peace Corps volunteers have come out more internal.

The Italians in our study had an average score of 6.06, while the average for the Americans was 6.74. That is, the Italian entrepreneurs were more internal than the Americans. This is understandable, in light of the fact that in Italy, as in several other European countries, there is a bias against small companies. Italians tend to view the small businessman as a parvenu, whereas in our country he does not have to apologize. So a person in Italy has to be much more internal and self-reliant even to imagine forming a company.

**External Business Students.** Locus of control is also related to whether people think they might someday start a business. One of my associates, Candace Borland, studied 375 business-school students at the University of Texas, using a locus-of-control questionnaire devised by Hanna Levenson, and a separate questionnaire that measured the motivation to achieve. Borland found that, overall, students who expected to start a company someday did not have a stronger motive to achieve than other students did. What set them apart was that they had a strong belief in internal control, and a low belief in the ability of others to control their destinies.

In the popular mind, business schools are breeding grounds for entrepreneurs. If that is in fact their function, we would expect business-school students to be relatively internal. Not so. We gave the Rotter I-E scale to University of Texas business-school students and compared their scores to those of entrepreneurs in Italy and the United States. The students turned out to be much more external; their average score was 10.2. These results should not be too surprising to anyone familiar with the business-school ambiance. These are academies for corporate officialdom, and the Harvard Graduate School of Business is their West Point.

A related characteristic of the entrepreneur is a need for independence. In several of our studies we asked people who had formed companies what it would take to get them to be a manager or employee in another company. The majority, 58 percent, stated that they would not even consider working for someone else; the typical response was an indignant "Impossible!" Another 28 percent set up unrealistic conditions that no one was likely to meet, such as getting a 300 percent increase in salary and complete independence.

We also asked these subjects what they would do if they lost their companies. Most, 72 percent, replied that they would promptly start a new one. Indeed, many of the entrepreneurs we interviewed had already failed in at least one previous business. These failures apparently did not discourage them, but simply provided a learning experience. **Imaginable Acts.** The desire for independence may be to some extent a result, rather than a cause, of being in business for oneself. Once free, the entrepreneur realizes what he was missing when he was a salaried employee living on someone else's payroll and by someone else's policy manual. But I believe it is also a cause. When people take the first step, they are motivated in part by a wish to be their own men or women.

Still, wanting to be independent is not enough. In order to undertake an enterprise that is new, different and unexpected, you must be able to imagine yourself in the role. That is, the act must be credible. Do you remember how we all used to assume that running the four-minute mile was a physical impossibility? Then Roger Bannister did the impossible, and soon he was followed by many others. The four-minute mile had become an imaginable act, one that could be accomplished.

## The Displaced, Uncomfortable Entrepreneur—Continued

Starting a new company often becomes credible when the potential entrepreneur spots another person like himself who has tried it. That other person is likely to be a parent—usually a father, sometimes a mother. In U.S. studies, the percentage of company founders whose parents were themselves company owners, free professionals, independent artisans or farmers has ranged between 50 and 58 percent. This is an unusually high number, given the fact that over the past decade and a half only seven percent of the nonagricultural work force claimed to be self-employed. In other countries the numbers are even more striking, in a study of Nigerian entrepreneurs, almost 89 percent of those studied had an independent father. In Borland's study of business-school students, having a father who built a company was more strongly related to the desire to start a company of one's own than any other factor considered. If your father was independent, you may be able to do without some of the characteristics usually associated with entrepreneurs. Company formers who are relatively external are especially likely to have fathers who are independent. The fourth son in a family in which each male has started a company does not have to be very internal to start his own business. In fact, he may need to be internal to choose a different path.

**Familiarity Breeds Confidence.** Our findings do not mean that the father's example is always followed deliberately or that independent fathers actively encourage their offspring to be entrepreneurial. When Jeffrey Susbauer interviewed men who had started technical companies, he asked them if their fathers had served as ideal models or had encouraged them to start their company. The usual answer was that their fathers had told them *never* to start a company and, indeed, most of the fathers had been unsuccessful.

Parents are not the only models. The budding entrepreneur may be influenced by another relative, a colleague or a classmate, especially if he perceives that person as no more capable or talented than himself. Time and again we've heard people who have worked in small companies say, "I looked at the boss and said to myself, if that dumb sonofabitch can start a company, I sure can." People whose friends or former colleagues have started companies make similar remarks. Familiarity breeds confidence through contempt.

While studying the development of technical companies in the Minneapolis-St. Paul area, we came across a perfect example of how a credible model can inspire people to start companies of their own. It seems that when William C. Norris, a vice-president of Univac, broke away to form Control Data Corporation, he had little effect on others. Apparently not many people could identify with the act of a vice-president. But then a group of engineers, far down the organizational line at Univac, broke away to form a company that would exploit certain digital-display techniques that the engineers couldn't convince their supervisors to use. After that, many new companies sprang up. People told themselves, "If those guys can do it, I sure can. After all, they are only engineers, like me."

In order to see starting a company as a credible act, it may also be necessary to be blind to some of the risks. We asked 60 entrepreneurs in Austin how risky their ventures had seemed at the time they first undertook them. Forty of them told us they had viewed the risk as minimal. Of course, they may have been affected by hindsight, but the results do make us wonder whether an entrepreneur perceives the same risks that a rational outsider would.

Certain situations foster the credibility of the entrepreneurial act. We have found, as have others, that those who form companies are more likely to come from small corporate divisions than from large units. Arnold Cooper, who studied technical company formations in an area south of San Francisco, calls small corporate divisions "incubators" for company founders. Not only do individuals in smaller units have a better opportunity to get an overview of the entire operation, they also are more likely to see that those who originally formed the firm in which they work are really very much like themselves. Thus it becomes possible for the potential entrepreneur to see himself in the role of company head.

**Entrepreneurial Ethnicity.** It also helps to be Jewish—or a Palestinian, a Lebanese, an Ibo in Nigeria, a Parsi in India, a Chinese on our West Coast. It is no accident that these groups maintain their entrepreneurial tradition; they provide plenty of role models. Take the Jews. In 1933, there were about 650,000 Jews in Germany. Of those who worked, 46 percent were independent businessmen. In every country where they have settled, Jews have been disproportion-

ately represented in business and the independent professions.

There are undoubtedly historical and cultural reasons that account for why members of certain groups originally became entrepreneurs. They may have been barred from paid employment and forced to go into certain kinds of business, or may have suffered frequent displacement because of political upheavals. It also seems to be true that groups that are "protected" or made to feel dependent, as blacks and women have been, do not produce their quota of entrepreneurs. In any case, if you are a member of an entrepreneurial ethnic group, you have that going for you.

To summarize, the person who wants to form a company needs to be, in some sense, a displaced person. It helps to have an internal locus of control, which disposes you to struggle for a hand in your environment, and it helps to have examples around of others who resemble you and have started companies, so that the act appears credible. But there is one other necessary ingredient: resources. You can't start a company without obtaining the labor, materials, equipment and facilities required for the venture, and to do so you must use either your own capital or someone else's. In times of recession and unemployment, despite the fact that there is plenty of personal displacement, the company-formation rate does not go up. There is too little venture capital available. Similarly, if there is too little capital in one area, companies may transfer to another. The automobile industry reputedly moved from various areas of the country to Michigan in response to the urging of a single banker who was interested in automobiles and who offered the industry financial support.

There has been quite a bit of publicity about venture-capital firms, which are in the business of investing in other businesses. These companies generally do not charge interest on loans, as banks or savings-and-loans do. Instead, they invest money for a share of the venture. According to a recent study for the National Science Foundation, venture-capital firms make an average of only 2.6 investments each year, and less than 15 percent of these are for new ventures. Most are "second-rounders"; they wait until a venture proves itself enough to need expansion money. Since there are only between 600 and 700 venture-capital firms, they can account for only about 250 start ups, at the most.

**Adventuresome Loan Officers.** Banks also

## The Displaced, Uncomfortable Entrepreneur—Continued

do not give much support to new enterprises, though there are some exceptional instances of loan officers extending personal loans to people with little collateral, for the purpose of starting a new company. We studied more than 200 loan officers in more than 40 banks in six states. We discovered that loan officers younger than 30 were least likely to make a venturesome loan; those between 30 and 39 were most likely to do so. Higher education, living in a big city, and having held a variety of jobs were all related to the bankers' willingness to support new and different ventures. Significantly, the more venturesome officers were likely to want to "take part in the action." They required more reporting, and were more likely than other officers to ask for specific managerial and financial actions as a condition for the loan. All this provides a strong hint that the venturesome loan officer is similar to a company former, and may himself be a species of entrepreneur.

Even if we take into account the various Government programs that aid small businessmen and minority-group entrepreneurs, it is clear that formal institutions provide very little capital for new companies. Most venture capital comes from the entrepreneur's own resources or from family and friends. This "earnest money" reassures bankers who often refuse to lend until an entrepreneur has locked himself in by mortgaging his home to the hilt and hustling everyone he knows. Such personal sources accounted for 90 percent of the initial financing for the new businesses we studied in this country and Italy. The rest comes from private investors who regularly invest in new companies, men often talked about in Texas as "good old boys."

We studied 39 of these informal venture capitalists in two Texas cities, and found they resembled the venturesome loan officers in terms of age, education, and job history. On the average each man made as many investments as the typical venture-capital firm—two or more a year. They differed in terms of the return they expected and the size of the share they demanded before making an investment, and they tended to have very personal preferences and biases. For example, one might specialize in food companies, while another leaned toward sporting-goods stores. Money is intimate.

These men were part of an informal

network in which information on "deals" circulated. Numerous middlemen screened and channeled investment proposals for the investor. This dynamic social process is not one you will learn much about by reading the financial literature, yet it is a key factor in whether or not new companies come into being and survive. Communities that lack such a network are not likely to develop and keep new companies or attract the entrepreneurial individuals who create them.

I have been discussing only new company formations, but there are many other kinds of events that require initiative-taking, resource-organizing, risk-assuming and independence-seeking, and that we classify as entrepreneurial. These include starting a community theater, organizing a political or charitable group, or setting up a new unit within an existing organization.

Robert Driver studied entrepreneurship at Houston's NASA center. At the time of his study, employees at the center faced massive displacement due to a rapidly declining budget. Driver discovered that some managers reacted to this crisis by seeking and obtaining contracts with other Government agencies, such as the Department of Agriculture and the Department of Housing and Urban Development. Often these contracts totally altered the function of the group, and in these cases the manager might change the group's name to reflect its new identity. By exploiting opportunities outside the organization, entrepreneurial managers were able to obtain a degree of independence from the fate of NASA itself.

The NASA entrepreneurs were similar in many ways to people who start their own companies. They responded to displacement with action; the more vulnerable they were to cutbacks in program and budget, the more likely they were to take the initiative by reorganizing their groups. On the whole they were optimistic about the future, and their average score on Rotter's I-E scale was a very internal 2.6, compared to 7.5 for nonentrepreneurial managers.

Larry Secrest studied 28 wholly owned corporate subsidiaries—companies that are owned by other companies but are run independently. The men who had originally promoted the formation of these subsidiaries were not as likely as new company formers to attribute their actions to negative displacement. Rather, they tended to give

corporate explanations, e.g., that they had wanted to form the subsidiary because it would help the company to diversify. But they did share other traits with other entrepreneurs. Nine had fathers who were self-employed, and seven had previously been in business for themselves. Some seemed to view the parent company as a kind of venture-capital firm, instead of as an owner. In two cases, when the subsidiary was absorbed back into the parent corporation, the head of the subsidiary quit. I suspect that these individuals had personal reasons for promoting the subsidiary, reasons that were entrepreneurial in nature, even though they used a corporate rationale to sell the idea.

My work in this country and abroad has convinced me that a sense of aliveness in regions, institutions and organizations is related to the number of entrepreneurial events that occur there. Psychologist David McClelland has shown that entire civilizations expand and contract, rise or fall, as a function of the "entrepreneurial motive" expressed in their art, fantasies and literature [see *Achieving Man*, pp. January 1971]. While he identifies this motive as an achievement need, we find internal control to be a better indicator. We know that some cities, some organizations are more innovative, resilient and capable of responding to new challenges than are others. I'd like to think that the knowledge we are acquiring about entrepreneurship will eventually make it possible to turn a region or a town on by creating conditions that induce potential entrepreneurs to take action. Once there are enough credible examples around the process should snowball without further pushes.

Another tactic for creating entrepreneurs is to demonstrate to individuals that they do have internal control. In my classes, I send students out to interview people who have formed real-estate-development firms, hi-fi stores and other businesses. They are always astonished to find that the people they talk to are no smarter or shrewder than they. Sometimes I even assign my students the task of planning a company and presenting the plan to financial people whom they must locate. Once they've been taken seriously by an investor, they take themselves seriously as potential entrepreneurs.

It is possible that today's bleak and uncertain economic situation will itself

**The Displaced, Uncomfortable Entrepreneur—Continued**

generate a new crop of entrepreneurs, because so many people are undergoing displacement. Certainly we could use more entrepreneurs. We already have plenty of well-educated functionaries who are convinced that they are externally controlled and powerless. For society, as well as for the individual, nothing ventured, nothing gained.

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## Shapero's Laws

## SHAPERO'S LAWS

What makes sane persons start — and keep running — their own businesses? Al Shapero gives us reasons . . . and hope.

IN ANY CAREFUL analysis of what makes entrepreneurs tick, the name of Albert Shapero will probably come up.

What gives Shapero a special place among entrepreneurial researchers is his insight into past and present human behavior, and his prowess to communicate his findings lucidly and imaginatively. Shapero is Professor of the American Free Enterprise System at Ohio State University, who happens to believe that free enterprise is too important to leave to the Neanderthal types in (or out of) Big Corporate America. He has written on such wide-ranging topics as "The Role of the Financial Community in the Growth of Technical Companies in Texas," "Counterculture Entrepreneurs," "Technical Entrepreneurship in Northern Italy," "Social Dimensions of Entrepreneurship," as well as "Have You Got What It Takes to Start Your Own Business?" — the latter directed to the women executives of *Savvy* magazine. He has proved the business start-up proclivities of America's immigrants and the importance of "displacement" in bringing about an entrepreneurial event.

Here are some excerpts from his writings:

The world is essentially 'messy' and does not conform itself to the particular rigidities of a particular socio-cultural period. Hence, the formation of the entrepreneurial events necessary to deal with the unclassified and unexpected during the Middle Ages was left by default to groups that did not fit into any of the established 'classes'. The Jews did not fit, and took over many

Jerome Goldstein

unclaimed or unsanctioned activities, money-lending, dealing in waste materials, innovating (the guilds forbade the use of new techniques, and the Jews were not permitted to join the guilds), advertising, cutting prices (forbidden by guilds but welcomed by customers, including the nobility), giving credit. The 'outsiders' could only survive by innovating new roles or by performing roles considered outside or beneath the domain of established groups or that were illegal but necessary (and therefore just tolerated).

According to Shapero, refugees clearly belong to the groups associated with greater entrepreneurial activity. Recent examples include the Cubans in the U.S. who have transformed the economy of Florida, the *pieds noirs* ("black feet") — the displaced French colonists from Algeria, Tunisia and Morocco — who have created thousands of businesses in France — and the latest wave in the U.S., the Indo-Chinese. Shapero cites the interplay of social and cultural factors, reflected historically by the fact that refugees are more likely to start businesses in their new location rather than if they had remained in their own countries, and even more so in the U.S. than if, for example, they had gone to France.

The road to starting one's own business, explains Shapero, is paved with positive and negative forces. However, negative displacements precipitate far more company formations than do positive factors. ("It

takes a powerful force in a new direction or the summation of many detracting forces before an individual is pushed to or consciously opts for a major change of life path.") In studies of 109 company formations in Austin, Texas (technical companies, accounting firms, publishers), Shapero found that 65 percent of the influences leading to the start-up of a new company were classified as negative — "getting fired . . . boss sold the company . . . organizational changes . . . transferred but didn't want to leave the city . . . no future . . . didn't like the job."

Some displacements are internal to the entrepreneur in that they are generated without reference to anything but the passage of time. One recurring precipitator of company formations can best be referred to as 'traumatic birthdays' or 'magic numbers'. The entrepreneur replies to the interviewer, "I realized I was going to be 40 years old within three months. It was now or never." Other such numbers given are 30 or 50 years old. Internally generated displacement related to perceptions of the passage of time has been also described as the mid-life crisis, a period in middle life, defined differently by different writers, in which there is large disaffection with one's life, and which, in recent years, has led to the phenomenon of 'dropping out'.

Refugees clearly belong to the groups associated with greater entrepreneurial activity.

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**Shapero's Laws—Continued**

and into a variety of life paths quite different from those pursued to date. Evidence for the existence and power of this period of crisis is found in a variety of sources.

Eight years ago, while studying small business owners in Milan, Italy, Shapero found that 56 percent of the entrepreneurs had "independent parents." That is, their parents tended to be company owners, free professionals, independent artisans or farmers. His results — backed up by investigations in this country — support his contention that "the family, particularly father or mother, plays the most powerful role in establishing the desirability and credibility (hence, feasibility) of entrepreneurial actions for an individual."

Another powerful influence on the perceptions of the nascent entrepreneur is that of a mentor. The mentor plays the part of convincing, assuring, instructing the nascent entrepreneur, thus making the entrepreneurial event both desirable and feasible. Unlike the peer who one can look down on, the mentor is someone respected and looked up to. When I

asked a South African black businessman how he happened to go into business, he told me he had worked for a Jewish businessman who told him he could do it. The same was heard from an Ohio college graduate who was convinced by an elderly, respected friend that he could do it. Extension agents, teachers, respected elderly friends, all play the powerful role of mentor in establishing perceptions of desirability, credibility and feasibility with regard to entrepreneurial formations.

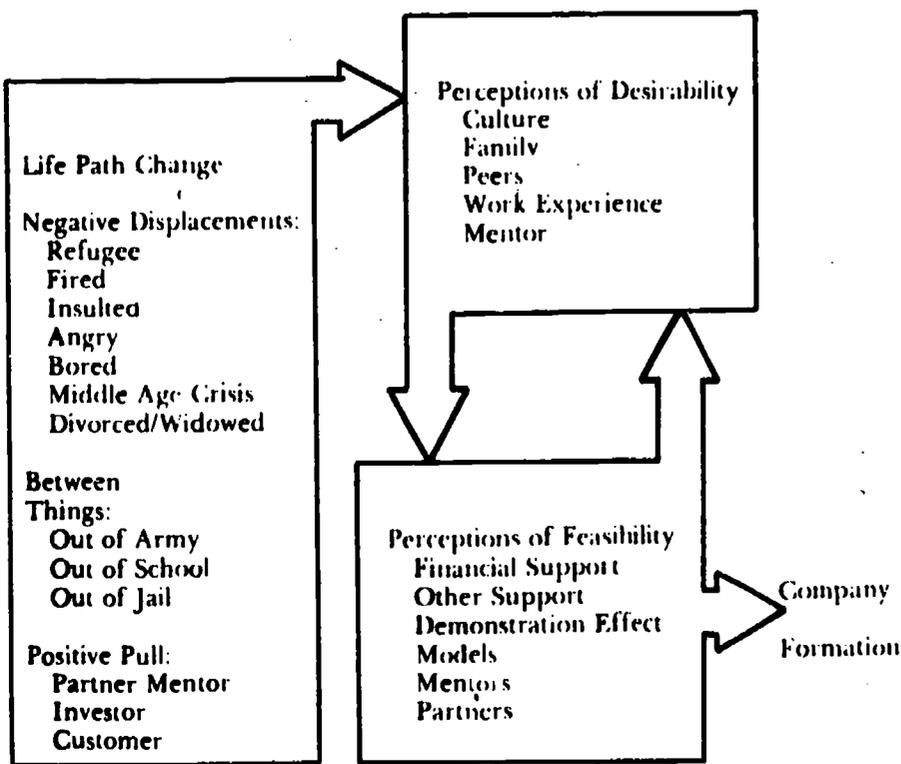
Both in person and in his writings, Shapero cuts through the jargon, mythology and hype ordinarily associated with Entrepreneurship. In reviewing the dismal record of corporate-sponsored entrepreneurship to overcome bureaucratic inertia, he recalls an executive's unequivocal judgment: "We have found that entrepreneurs make lousy managers." The real problem, counters Shapero, is that "grafting an entrepreneurial venture onto a corporate body, especially an ailing one, triggers a rejection mechanism like the one that accompanies organ transplants: the corporate body isolates and

People don't want to live in a state of equilibrium . . . Human beings are poetic, irascible animals.

eventually rejects the entrepreneurial intrusion into its system."

In most corporate managements, business schools and writers of books on how to go into business for yourself, "the idea" comes first. Their notion is that given the right idea backed by good market research and careful projections imbedded in a business plan . . . well, there you are! . . . In about 20 studies of hundreds of company formations, my graduate students and I found a large number of cases where a company had started with an idea that later failed. Nonetheless, an organization remained which was functioning profitably, delivering products or services in the marketplace. Standard analyses cannot estimate the effects of a dedicated individual who responds to events by modifying, improvising and adding 'sweat equity' to the final success of the venture. Furthermore, many successful entrepreneurs have failed at least once before succeeding. Henry Ford failed twice before he succeeded . . . No test will assure you that an individual will be an entrepreneur before the fact.

**ENTREPRENEURIAL EVENT FORMATION PROCESS**



**Shapero's Laws**

It should be clear by now that Shapero's expertise in free enterprise and the entrepreneurial spirit emanates from his sensitive appreciation of human nature. And that appreciation has led to the formulation of SHAPERO'S LAWS:

**1. No Matter How Many Problems You Take Off The Back of A Human, That Person Will Take On A New Load Equal to The Relief.**

People are problem-seeking creatures and, if healthy, seek to be completely engaged. A member in a smooth-running operation begins to go around kicking things to stir something up.

I'm extremely serious. I get irritated with all the homeostatic behavior emphasis. People don't want to live in a state of equilibrium even though the clinical psychologists would have us believe that nonsense. Human beings are poetic, irascible animals. They want to

## Shapero's Laws—Continued

be engaged. They're not goddam machines that runs automatically. We know the value of what the poet Louis Simpson has written: "... Grant what I ask. Bring evil on the land that I may have a task."

### 2. No Matter How You Design A System, Humans Will Make It Work Anyway.

The human animal is the end product of two million years of evolution. Consequently, humans are the incredibly competent survivors of that process. Because of their good intentions and amazing capability, they make everything work. Proof of Shapero's Second Law is found by turning it around: When humans want to bring a system to a complete halt, all they have to do is follow the rules and procedures exactly. The Second Law is completely antithetical to Murphy's Law, which assumes that humans will make everything fail.

I get especially irritated at the computer mentality that exudes superiority, and I'm anti-Murphy's Law — and also anti-O'Shaughnessy's Law which says Murphy was an optimist. Humans are marvelous critics, well-meaning too. They'll make something work through all kinds of improvising.

### 3. If You Help People with The Problems That They Think They Have, They May Even Let You Help Them with The Problems You Think They Have.

This is a law for would-be humanitarians who constantly are concerned with what people need and never question what they want. Thus, they end up blaming the recipient of their attentions for being ignorant, badly motivated, incompetent, or just downright evil.

Some years back, I was lecturing to a class on small business management in Brazil. The first question I got was "How do we change the behavior of small businesspersons so we can help them?" That's bull — although that question is usually the one first asked by well-meaning humanitarians. If you expect people to be decent and behave decently, they live up to it.

### 4. Companies That Plan Do Better Than Companies That Don't, But They Never Follow Their Plan.

The world is a great big open system with millions of variables interacting in intricate ways. Some Japanese in-

ventor is completing a dream in a garage that may destroy your industry tomorrow. He, your competitor and God did not fit in your planning exercise. It is the ultimate of conceits to think that the world can be encompassed in the plan, which is a product of your desires and limited knowledge.

\* \* \* \* \*

Al Shapero refers to himself as "a scar-tissued romantic idealist." He also happens to be — in our opinion — today's most effective and sophisticated analyst of entrepreneurial behavior.

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## Entrepreneurship Self-assessment Profile Guide

Instructions: The 50 questions have been grouped into three categories: personal background, behavior patterns, and life-style. Each question addresses specific areas that relate to entrepreneurs; these areas are noted in the parentheses following each question. The answers you see here are what studies show to be the responses commonly given by small business owners. You will want to compare your answers from the survey to what is shown here for similarities and conflicts. After you have done this, answer the questions at the end of this profile guide.

	Rarely or No	Mostly or Yes
<b>Personal Background</b>		
5. Has someone in your family shared the experience of starting a business with you? (family training)	_____	<u>  X  </u>
7. Do you get sick often? (attitude, energy, health)	<u>  X  </u>	_____
9. Have you ever been fired from a job? (displacement experience)	_____	<u>  X  </u>
12. Did you like school? (education)	_____	<u>  X  </u>
13. Were you a very good student? (average is common)	<u>  X  </u>	_____
14. Did you run with a group in high school? (independence)	<u>  X  </u>	_____
15. Did you participate in school activities or sports? (need to achieve)	_____	<u>  X  </u>
19. Were you the firstborn child? (responsibility)	_____	<u>  X  </u>
20. Was your father mostly present during your early life at home? (early responsibility)	<u>  X  </u>	_____
21. Were you expected to do odd jobs at home before 10 years of age? (early experience)	_____	<u>  X  </u>
<b>Behavior Patterns</b>		
1. Do you worry about what others think of you? (self-confidence, locus of control)	<u>  X  </u>	_____
3. Do you take risks for the thrill of it? (risk taking, internal locus of control)	_____	<u>  X  </u>
4. Do you find it easy to get others to do something for you? (leadership)	_____	<u>  X  </u>

## Entrepreneurship Self-assessment Profile Guide—Continued

	Rarely or No	Mostly or Yes
<b>Behavior Patterns—Continued</b>		
6. Do you believe in organizing your tasks before getting started? (management, goal setting)	_____	_____ <u>X</u>
8. Do you enjoy doing something just to prove you can? (achievement oriented)	_____	_____ <u>X</u>
10. Do you find yourself constantly thinking up new ideas? (creative, innovation)	_____	_____ <u>X</u>
16. Do you like to take care of details? (impatience, risk oriented)	_____ <u>X</u>	_____
17. Do you believe there should be security in a job? (internal locus of control)	_____ <u>X</u>	_____
18. Will you deliberately seek a direct confrontation to get needed results? (determination, assertiveness)	_____	_____ <u>X</u>
22. Do you get bored easily? (impatience, energy)	_____	_____ <u>X</u>
23. Are you sometimes arrogant about your accomplishments? (self-confidence, independence)	_____	_____ <u>X</u>
24. Can you concentrate for extended periods of time on one subject? (perseverance, determination)	_____	_____ <u>X</u>
25. Do you, on occasion, need pep talks from others to keep you going? (self-starter, self-control)	_____ <u>X</u>	_____
26. Do you find unexpected energy resources as you tackle things you like? (energy, resourcefulness)	_____	_____ <u>X</u>
27. Does personal satisfaction mean more to you than having money to spend on yourself? (egotism)	_____	_____ <u>X</u>
29. Have you ever deliberately exceeded your authority at work? (self-confidence, assertiveness)	_____	_____ <u>X</u>
30. Do you try to find the benefits of a bad situation? (optimism, flexibility)	_____	_____ <u>X</u>
31. Do you blame others when something goes wrong? (personal ability, problem solving)	_____ <u>X</u>	_____

**Entrepreneurship Self-assessment Profile Guide—Continued**

	Rarely or No	Mostly or Yes
<b>Behavior Patterns—Continued</b>		
32. Do you enjoy tackling a task without knowing all the potential problems? (resourcefulness, risk taking)	_____	<u>  X  </u>
33. Do you persist when others tell you it can't be done? (optimism)	_____	<u>  X  </u>
34. Do you take rejection personally? (flexibility, self-confidence)	<u>  X  </u>	_____
35. Do you believe that you generally have a lot of good luck that explains your successes? (internal locus of control)	<u>  X  </u>	_____
37. Do you enjoy being able to make your own decisions on the job? (independence, responsibility)	_____	<u>  X  </u>
38. Did you wake up happy most of your life? (optimism)	_____	<u>  X  </u>
39. Can you accept failure without admitting defeat? (determination, optimism)	_____	<u>  X  </u>
41. Do you believe that entrepreneurs take a huge risk? (self-confidence, internal control)	<u>  X  </u>	_____
42. Do you feel that successful entrepreneurs must have advanced college degrees? (resourcefulness, initiative)	<u>  X  </u>	_____
43. Do you strive to use past mistakes as a learning process? (initiative, optimism)	_____	<u>  X  </u>
45. Do you find that answers to problems come to you out of nowhere? (foresight, perceptiveness, persistent)	_____	<u>  X  </u>
46. Do you enjoy finding an answer to a frustrating problem? (tolerance of ambiguity, initiative)	_____	<u>  X  </u>
<b>Life-styles</b>		
2. Do you read books? (time not available)	<u>  X  </u>	_____
11. Do you prefer to let a friend decide on your social activities? (control, responsibility)	<u>  X  </u>	_____

**Entrepreneurship Self-assessment Profile Guide—Continued**

	Rarely or No	Mostly or Yes
<b>Life-styles—Continued</b>		
28. Do you enjoy socializing regularly? (goal oriented, time management)	<u>  X  </u>	_____
36. Are you likely to work long hours to accomplish a goal? (persistence, determination)	_____	<u>  X  </u>
40. Do you have a savings account and other personal investments? (profit oriented)	_____	<u>  X  </u>
44. Are you more people oriented than goal oriented? (need to achieve)	<u>  X  </u>	_____
47. Do you prefer to be a loner in your final decision? (independence, self-confidence)	_____	<u>  X  </u>
48. Do your conversations discuss people more than events or ideas? (idea oriented, creativity)	<u>  X  </u>	_____
49. Do you feel good about yourself in spite of criticism of others? (tolerance of ambiguity, self-confidence)	_____	<u>  X  </u>
50. Do you sleep as little as possible? (time management, energy)	_____	<u>  X  </u>

**Answer these questions:**

1. What personal weaknesses did you discover? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
  
2. Can you be an entrepreneur with these weaknesses? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_
  
3. What can you do to improve your areas of weakness? \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**Entrepreneurship Self-assessment Profile Guide—Continued**

4. What are your strengths? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Do your strengths make up for your weaknesses? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. Is your life-style compatible with the demands upon an entrepreneur? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **CLASS OBJECTIVES**

- **START YOUR OWN BUSINESS**
- **FIND A JOB TO PROVIDE MORE EXPERIENCE BEFORE STARTING YOUR BUSINESS**
- **GO TO SCHOOL TO BUILD SKILLS BEFORE STARTING YOUR OWN BUSINESS**
- **DECIDE THAT STARTING YOUR OWN BUSINESS IS NOT FOR YOU**

## **WHAT IS AN ENTREPRENEUR?**

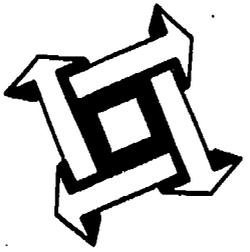
**AN ENTREPRENEUR IS AN INDIVIDUAL WHO UNDERTAKES ALL THE RISKS RELATED TO FORMING AND OPERATING A SMALL BUSINESS. THIS INVOLVES PERFORMING ALL BUSINESS FUNCTIONS ASSOCIATED WITH A PRODUCT OR SERVICE AND INCLUDES SOCIAL RESPONSIBILITIES AND LEGAL REQUIREMENTS.**

## REASONS FOR BUSINESS FAILURE

1. LACK OF EXPERIENCE
2. LACK OF CAPITAL
3. POOR LOCATION
4. TOO MUCH INVENTORY, PARTICULARLY THE WRONG KIND
5. EXCESSIVE PURCHASE OF PERMANENT EQUIPMENT
6. POOR CREDIT-GRANTING PRACTICES
7. UNWARRANTED PERSONAL EXPENSES
8. UNPLANNED EXPANSION
9. FAULTY ATTITUDES
10. HEAVY EXPENSES
11. POOR COLLECTIONS
12. INADEQUATE SALES
13. INCORRECT INVENTORY MANAGEMENT
14. COMPETITIVE WEAKNESS

## **PERSONALITY FACTORS OF SELF-EMPLOYED PERSONS**

- 1. SELF-CONFIDENCE**
- 2. PERSEVERANCE, DETERMINATION**
- 3. ENERGY, DILIGENCE**
- 4. RESOURCEFULNESS**
- 5. ABILITY TO TAKE CALCULATED RISKS**
- 6. NEED TO ACHIEVE**
- 7. CREATIVITY**
- 8. INITIATIVE**
- 9. FLEXIBILITY**
- 10. POSITIVE RESPONSE TO CHALLENGES**
- 11. INDEPENDENCE**
- 12. FORESIGHT**
- 13. DYNAMISM, LEADERSHIP**
- 14. VERSATILITY IN KNOWLEDGE**
- 15. ABILITY TO GET ALONG WITH PEOPLE**
- 16. RESPONSIVENESS TO SUGGESTIONS AND  
CRITICISM**
- 17. PROFIT ORIENTATION**
- 18. PERCEPTIVENESS**
- 19. OPTIMISM**



# Evaluating Business Skills

## UNIT 2

**Title:** **EVALUATING BUSINESS SKILLS**

**Purpose:** This unit is designed to help participants recognize the skills needed by self-employed persons for successful operation of small businesses and to help them identify where those skills are learned.

**Objectives:** Upon completion of this unit, participants will—

- have an awareness of the different skills needed to start and maintain a small business successfully,
- have identified possible experiences in which they have acquired needed business skills, and
- have identified specific business skills they possess and areas in which they need technical assistance.

**Materials:** List of job-related experiences (homework from unit 1)

Handout 2-1: Business Skills Inventory  
Handout 2-2: Business Skills Sample  
Handout 2-3: What Technical Assistance Do You Need?

Transparency 2-1: Business Skills  
Transparency 2-2: Managing Money  
Transparency 2-3: Managing People  
Transparency 2-4: Business Operations  
Transparency 2-5: Sales Operations  
Transparency 2-6: Marketing  
Transparency 2-7: Setting up a Business

**Product:** Business Skills Inventory

**Assignment:** Complete inventory of business skills.

Complete HO 2-3: What Technical Assistance Do You Need?

**Notes to Instructor:** This unit will need to be individualized for each participant. Help participants see how their list of job-related experiences can help them discover their skills.

The inventory of business skills was designed with two purposes in mind. After completing the inventory, participants should have a list and categorization of the skills they possess and a list of areas of weakness.

**Unit 2**

<b>Estimated Time:</b>	<b>Where we learn business skills</b>	<b>60 minutes</b>
	<b>Where we develop technical expertise</b>	<b>45 minutes</b>
	<b>Business skills needed</b>	<b>45 minutes</b>
	<b>Evaluating business skills</b>	<b>25 minutes</b>
	<b>Assignment</b>	<b>5 minutes</b>

CONTENT	PROCESS
<p><b>A. Where Do We Acquire Business Skills?</b></p> <p>For the purpose of this course, business skills will be defined as those skills necessary for the successful operation and maintenance of a small business operation. Examples of business skills identified by the authors of <i>PACE (Revised)*</i> include the following:</p> <ul style="list-style-type: none"> <li>• Developing the business plan</li> <li>• Obtaining technical assistance</li> <li>• Choosing the type of ownership</li> <li>• Planning the marketing strategy</li> <li>• Locating the business</li> <li>• Financing the business</li> <li>• Dealing with legal issues</li> <li>• Complying with government regulations</li> <li>• Managing the business</li> <li>• Managing human resources</li> <li>• Promoting the business</li> <li>• Managing sales efforts</li> <li>• Keeping the business records</li> <li>• Managing the finances</li> <li>• Managing customer credit and collections</li> <li>• Protecting the business</li> </ul>	<p>Define <i>business skills</i>.</p> <p>Ask participants to name business skills they think would be valuable for an owner of a business operation.</p> <p>Present TP 2-1: Business Skills.</p>

\*M. Catherine Ashmore and Sandra G. Pritz, comp., *Procedure for Acquiring Competence in Entrepreneurship (PACE), Revised*. Research and Development Series no. 240 (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982).

**CONTENT****PROCESS**

(For further assistance in discussing these topics refer to *PACE*. See a description of this material in the introduction for this instructor's guide. Ordering information is on the inside of the back cover.

**1. Job Experience**

Our work history is a valuable educational resource. For example, working as a cashier teaches one the following:

- How to operate a cash register
- How to make change
- How to deal with the public

Working as an accountant teaches one the following:

- How to prepare financial statements
- How to make financial projections and manage money

Working for an entrepreneur helps one understand the total process and skills for operating a business.

**2. Club Activities**

We learn a lot from our volunteer activities as well. Here are some examples:

- Conducting fund-raising activities
- Promoting an organization through public service and free advertising
- Managing and coordinating members of a club or organization

**3. Education**

A more traditional training ground is your school experience. Some examples of applicable skills learned in this setting are as follows:

Ask for examples of some of the things participants have learned on particular jobs that would be useful in running a business.

Ask for other examples.



CONTENT	PROCESS
<ul style="list-style-type: none"> <li>• Budgeting income</li> <li>• Planning finances</li> <li>• Organizing</li> <li>• Buying wisely</li> <li>• Managing and dealing with people</li> <li>• Selling an idea</li> </ul>	
<p><b>B. Where Do We Acquire Technical Skills?</b></p> <p>Knowing how to run a business is a critical part of entrepreneurship. However, an equally important part is developing skills in a special interest area that leads to your own particular expertise in a business field.</p> <p>Research shows that most people start businesses in the occupational area for which they have experience or training. It is only logical that we build on what we already know.</p>	<p>Ask for other examples.</p>
<p>There are many ways we can build our product or service technical expertise.</p> <p><b>1. Education</b></p> <p>One way to develop our personal interests is by taking classes or courses. For example, one could take courses in these special interest areas:</p> <ul style="list-style-type: none"> <li>• Accounting</li> <li>• Cosmetology</li> <li>• Management</li> <li>• Engineering</li> <li>• Auto body repair</li> <li>• Medicine</li> </ul>	<p>Discuss where we get technical expertise.</p>



CONTENT	PROCESS
<p><b>C. What Business Skills Are Needed by Small Business Owners?</b></p> <p><b>1. Managing Money</b></p> <ul style="list-style-type: none"> <li>• Borrowing money</li> <li>• Keeping records</li> <li>• Analyzing money problems</li> <li>• Planning to cover payment on purchases</li> <li>• Buying wisely</li> <li>• Avoiding losses</li> <li>• Handling credit</li> <li>• Figuring taxes</li> <li>• Buying insurance</li> <li>• Determining government social benefits</li> <li>• Budgeting</li> </ul> <p><b>2. Managing People</b></p> <ul style="list-style-type: none"> <li>• Hiring employees</li> <li>• Supervising employees</li> <li>• Training employees</li> <li>• Evaluating employees</li> <li>• Motivating people</li> <li>• Scheduling workers</li> <li>• Coordinating volunteer groups</li> </ul> <p><b>3. Directing Business Operations</b></p> <ul style="list-style-type: none"> <li>• Buying supplies</li> </ul>	<p>Use TP 2-2: Managing Money.</p> <p>Add to the items already listed on the transparency.</p> <p>Ask the class to discuss their money management skills.</p> <p>Use TP 2-3: Managing People.</p> <p>List participants' ideas about what they have learned from managing people.</p> <p>Use TP 2-4: Business Operations.</p>

CONTENT	PROCESS
<ul style="list-style-type: none"> <li>• Buying equipment</li> <li>• Buying merchandise</li> <li>• Managing inventory</li> <li>• Filling orders for products and services</li> <li>• Managing facilities</li> </ul>	<p>List participants' ideas about needed business operations skills.</p>
<p><b>4. Directing Sales Operations</b></p> <ul style="list-style-type: none"> <li>• Identifying different customer needs</li> <li>• Thinking about product for various customer needs</li> <li>• Planning to obtain necessary sales to cover costs</li> <li>• Preparing to answer customer objections and asking for the sale</li> <li>• Teaching others how to sell</li> </ul>	<p>Use TP 2-5: Sales Operations.</p> <p>List participants' ideas on sales operations skills that are needed.</p>
<p><b>5. Marketing</b></p> <ul style="list-style-type: none"> <li>• Developing new ideas for products or services</li> <li>• Analyzing community needs</li> <li>• Analyzing potential customers</li> <li>• Deciding prices for products or services</li> <li>• Developing promotional strategies</li> <li>• Designing promotional materials</li> <li>• Purchasing media space</li> </ul>	<p>Use TP 2-6: Marketing.</p> <p>List participants' ideas on marketing skills that are needed.</p>
<p><b>6. Setting up a Business</b></p> <ul style="list-style-type: none"> <li>• Choosing a location</li> </ul>	<p>Use TP 2-7: Setting up a Business.</p>

CONTENT	PROCESS
<ul style="list-style-type: none"> <li>• Obtaining licenses and permits</li> <li>• Determining initial inventory</li> <li>• Obtaining financing</li> <li>• Planning long-term cash flow</li> <li>• Choosing the type of ownership</li> <li>• Working with a lawyer and CPA</li> </ul>	<p>List participants' ideas on business setup skills that are needed.</p>
<p><b>D. Where Have You Acquired Business Skills?</b></p>	<p>Distribute HO 2-1 and 2-2: Business Skills Inventory and Business Skills Inventory Sample.</p>
<p>Use HO 2-1 to identify your business skills by looking at past jobs, education, club experiences, life experiences, and so on. The job-related experiences list that you have been working on will help in this task. Also, look at HO 2-2 for examples.</p>	<p>Ask class members to identify their own business skills from analysis of past jobs, education, club activities, life experiences, and so on.</p>
<p><b>E. Assignment</b></p>	<p>Ask class members to identify their strongest skill areas as follows. For example, ask such questions as,</p>
<p>HO 2-3 will help you further identify those areas in which you might need technical assistance. Use this handout to complete the activity you've started here.</p>	<p style="padding-left: 40px;">"All who have a background in money management please raise your hand."</p>
	<p>If time does not permit to finish, ask participants to complete their personal skills inventory before the next class.</p>
	<p>Distribute HO 2-3: What Technical Assistance Do You Need?</p>

## Business Skills Inventory

Use this form to develop an inventory of your business skills in each of the categories listed. Use the list of job-related experiences to help you recall activities that provided you with these skills. Your level of expertise may be anything from 1 (minimal) to 5 (a great deal).

<b>1.</b>	<b>Managing Money</b>	<b>Where Learned</b>	<b>When</b>	<b>Expertise (1-5)</b>
<b>2.</b>	<b>Managing People</b>	<b>Where Learned</b>	<b>When</b>	<b>Expertise (1-5)</b>

**Business Skills Inventory—Continued**

<p><b>3. Directing Business Operations</b></p>	<p><b>Where Learned</b></p>	<p><b>When</b></p>	<p><b>Expertise (1-5)</b></p>

<p><b>4. Directing Sales Operations</b></p>	<p><b>Where Learned</b></p>	<p><b>When</b></p>	<p><b>Expertise (1-5)</b></p>

**Business Skills Inventory—Continued**

5.	<b>Marketing</b>	<b>Where Learned</b>	<b>When</b>	<b>Expertise (1-5)</b>
6.	<b>Setting up a Business</b>	<b>Where Learned</b>	<b>When</b>	<b>Expertise (1-5)</b>

Business Skills Inventory Sample

1.	Managing Money	Where Learned	When	Expertise (1-5)
	Prepare family budget Borrowing money Handling Credit Buying insurance	Home Home School Home	20	4
2.	Managing People	Where Learned	When	Expertise (1-5)
	Delegate duties Motivating people Motivating people Employer Relations	As pres. of Lions club Previous job Home Talking to friends	1975 1975-80 Presently	3 5 4
3.	Directing Business Operations	Where Learned	When	Expertise (1-5)
	Obtaining licenses, permits for student council concession stand Obtaining financing to purchase home	School Home	sr. yr. 1972	4 3
4.	Directing Sales Operations	Where Learned	When	Expertise (1-5)
	Sell new ideas to boss Sold clothes in department store	Work Work	last job H.S.	5 4
5.	Marketing	Where Learned	When	Expertise (1-5)
	Designed newspaper and radio ad for a product Implemented promotional strategies for band booster fund	College Club	1970	2
6.	Setting up a Business	Where Learned	When	Expertise (1-5)
	none			

## What Technical Assistance Do You Need?

The following questions will help you assess your strengths and weaknesses as an entrepreneur in each of the Management Categories. If your answer to a question is "Yes," count it a strength. If your answer is "No," consider your skill and experience for that task a weakness.

### I. Manufacturing and Production (Answer questions in this category only if you are manufacturing or producing a product from raw materials.)

	<u>Strength</u> Yes	<u>Weakness</u> No
1. Do you know how to plan how much you will manufacture or produce?	_____	_____
2. Are you familiar with the manufacturing or production processes?	_____	_____
3. Are you able to make decisions about plant location?	_____	_____
4. Are you able to plan manufacturing or production space efficiently?	_____	_____
5. Are you skilled at planning for materials handling?	_____	_____
6. Can you handle the procedures and problems related to traffic and transportation?	_____	_____
7. Do you know how to provide for warehousing?	_____	_____

### II. Marketing Management

1. Can you locate your potential customers and develop a profile of their buying habits?	_____	_____
2. Can you analyze your competition?	_____	_____
3. Can you develop a selling plan?	_____	_____
4. Have you identified the selling techniques you will use?	_____	_____
5. Can you develop and manage a sales promotion plan?	_____	_____
6. Are you skilled in conducting marketing research studies?	_____	_____
7. Do you know how to develop a product purchasing plan?	_____	_____
8. Are you experienced in purchasing?	_____	_____

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Instructor's Guide," Level 2, Research and Development Series no. 240 BA, *Program for Acquiring Competence in Entrepreneurship (PACE) Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982) 173-174

**What Technical Assistance Do You Need?—Continued**

	<u>Strength Yes</u>	<u>Weakness No</u>
9. Are you familiar with pricing procedures?	_____	_____
10. Can you plan and manage the physical distribution plan?	_____	_____
11. Do you know how to develop marketing strategies for your business?	_____	_____
12. Do you know where to get help with advertising?	_____	_____
13. Is your inventory system efficient?	_____	_____
14. Do you know how to select and deal with suppliers?	_____	_____
15. Can you make the necessary decisions about location, buildings, and equipment?	_____	_____
<b>III. General Organization and Management</b>		
1. If you need to hire an employee to help you, do you know how to search for and select one?	_____	_____
2. Do you know how to develop job descriptions for your firm?	_____	_____
3. Are you familiar with procedures for determining salaries, wages, and employee benefits?	_____	_____
4. Can you develop a personnel training program?	_____	_____
5. Are you skilled at supervising others?	_____	_____
6. Do you know how to appraise employees' performance?	_____	_____
7. Are you familiar with methods for motivating employees?	_____	_____
8. Do you know how to develop work schedules for yourself and your employees?	_____	_____
9. Do you know how to develop and manage company policy?	_____	_____
10. Can you plan a comprehensive security program?	_____	_____
11. Do you know a lawyer who can advise you on legal matters?	_____	_____
12. Can you set up and manage an information or recordkeeping system?	_____	_____
13. Do you know how to plan and manage public relations?	_____	_____

### What Technical Assistance Do You Need?—Continued

	<u>Strength</u> <u>Yes</u>	<u>Weakness</u> <u>No</u>
14. Are you experienced in long-range and short-range planning?	_____	_____
15. Can you develop a business plan?	_____	_____
<b>IV. Financial Management</b>		
1. Do you know how much money you need to start up your business?	_____	_____
2. Can you develop the financial statements that are necessary for every business?	_____	_____
3. Do you know how to determine how much financing you need?	_____	_____
4. Do you know how much credit you can get from suppliers? How much you can borrow?	_____	_____
5. Can you figure whether your business is profitable?	_____	_____
6. Can you manage credit and collections?	_____	_____
7. Can you set up and keep your financial record system?	_____	_____
8. Do you know how to figure depreciation?	_____	_____
9. Can you manage your taxation program?	_____	_____

# **BUSINESS SKILLS**

**DEVELOPING THE BUSINESS PLAN**

**OBTAINING TECHNICAL ASSISTANCE**

**CHOOSING THE TYPE OF OWNERSHIP**

**PLANNING THE MARKETING STRATEGY**

**LOCATING THE BUSINESS**

**FINANCING THE BUSINESS**

**DEALING WITH LEGAL ISSUES**

**COMPLYING WITH GOVERNMENT REGULATIONS**

**MANAGING THE BUSINESS**

**MANAGING HUMAN RESOURCES**

**PROMOTING THE BUSINESS**

**MANAGING SALES EFFORTS**

**KEEPING THE BUSINESS RECORDS**

**MANAGING THE FINANCES**

**MANAGING CUSTOMER CREDIT AND COLLECTIONS**

**PROTECTING THE BUSINESS**

## MANAGING MONEY

- **BORROWING MONEY FROM THE BANK**
- **KEEPING EXPENSE AND INCOME RECORDS**
- **ANALYZING MONEY PROBLEMS**
- **PLANNING TO COVER PAYMENTS DUE ON PURCHASES**
- **BUYING WISELY**
- **AVOIDING LOSSES**
- **HANDLING CREDIT**
- **FIGURING TAXES**
- **BUYING INSURANCE**
- **DETERMINING GOVERNMENT SOCIAL BENEFITS**
- **BUDGETING**
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# MANAGING PEOPLE

- **HIRING EMPLOYEES**
- **SUPERVISING**
- **TRAINING OTHERS**
- **EVALUATING THE WORK OF OTHERS**
- **MOTIVATING PEOPLE TO CARRY OUT THE WORK**
- **SCHEDULING WORKERS**
- **COORDINATING VOLUNTEER GROUPS**
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## **BUSINESS OPERATIONS**

- **BUYING SUPPLIES**
- **PURCHASING EQUIPMENT**
- **BUYING MERCHANDISE FOR SALE**
- **MANAGING INVENTORY**
- **FILLING ORDERS FOR PRODUCTS OR SERVICES**
- **MANAGING FACILITIES**
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## **SALES OPERATIONS**

- **IDENTIFYING DIFFERENT CUSTOMER NEEDS**
- **THINKING ABOUT PRODUCT FOR VARIOUS CUSTOMER NEEDS**
- **PLANNING TO OBTAIN NECESSARY SALES TO COVER COSTS AND MAKE A PROFIT**
- **PREPARING TO ANSWER CUSTOMER OBJECTIONS AND ASKING FOR THE SALE**
- **TEACHING OTHERS HOW TO SELL**

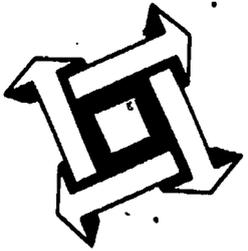
# MARKETING

- **DEVELOPING NEW IDEAS FOR PRODUCTS OR SERVICES**
- **ANALYZING COMMUNITY NEEDS**
- **ANALYZING POTENTIAL CUSTOMERS**
- **DECIDING PRICES FOR PRODUCTS OR SERVICES**
- **DEVELOPING PROMOTIONAL STRATEGIES**
- **DESIGNING PROMOTIONAL MATERIALS**
- **PURCHASING MEDIA SPACE**

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# SETTING UP A BUSINESS

- **CHOOSING A LOCATION**
- **OBTAINING LICENSES AND PERMITS**
- **DETERMINING INITIAL INVENTORY**
- **OBTAINING FINANCING**
- **PLANNING LONG-TERM CASH FLOW**
- **CHOOSING THE TYPE OF OWNERSHIP**
- **WORKING WITH A LAWYER AND CPA**
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# **Building a Support System**

## UNIT 3

**Title:** **BUILDING A SUPPORT SYSTEM**

**Purpose:** This unit is designed to help participants understand the importance of building a support system as they start a small business.

**Objectives:** Upon completion of this unit, participants will—

- know how they learn from mentors and organizations as role models.
- have identified outside sources for assistance and expertise, and
- have identified a mentor who will give them assistance and support.

**Materials:** Handout 3-1: Entrepreneurs Must Be . . .  
Handout 3-2: Mentor Survey

Each student should have a file box with 5" by 8" file cards and divider tabs

Telephone book yellow pages (several copies if available)

**Product:** Community Resource and Technical Assistance File  
Identification of a mentor or business advisor

**Assignment:** Work on the community resource and technical file.

Complete mentor survey handout.

**Notes to Instructor:** For this unit, you will need to make prior arrangements with a community small business owner (depending on size of the class, two guest entrepreneurs could be used) whom you consider successful. Prepare this person to discuss the items listed in this unit under "Experiences of a Small Business Owner." If possible, find someone who has experienced a displacing event before becoming self-employed. Ideally, this person should also be a member of the community advisory committee.

<b>Estimated Time:</b>	Mentors in your life	15 minutes
	Organizations as role models	15 minutes
	Starting a community resource and technical assistance file	45 minutes
	Compensating for personal and technical weaknesses	20 minutes
	Identifying a mentor	20 minutes
	Experiences of a small business owner	65 minutes

CONTENT	PROCESS
<p><b>A. Mentors in Your Life</b></p> <p>A mentor is one who has personal expertise on a topic and works with another step-by-step through completion of a project. Mentors provide individual attention that others do not.</p> <p>Have you ever had a mentor? Do you have one now? Has this person influenced your life?</p> <p>Who might serve as a mentor for you as you start your own business? Some examples might be these:</p> <ul style="list-style-type: none"> <li>• Recent employer</li> <li>• Friend</li> <li>• Relative</li> <li>• Fellow employee</li> <li>• Teacher</li> <li>• Community leader</li> </ul>	<p>Define <i>mentor</i> and discuss the role of a mentor.</p> <p>Ask participants if they have ever had a mentor. If so, how did this person help them?</p> <p>Ask participants who might serve as their mentor now?</p>
<p><b>B. Organizations as Role Models</b></p> <p>Can an organization serve as a role model? What can you learn from organizations?</p> <p>Organizations provide excellent insight into both good and bad procedures for a similar business. Think about the systems you have seen for—</p> <ul style="list-style-type: none"> <li>• record keeping,</li> <li>• filling orders,</li> <li>• buying,</li> <li>• scheduling workers, and</li> </ul>	<p>Discuss organizations as role models.</p> <p>Ask participants what they have observed about various systems being used in organizations.</p>

**CONTENT****PROCESS**

- promoting the business.

### **C. Starting a Community Resource and Technical Assistance File**

This file will contain the names and addresses of people and places you can turn to for needed assistance, advice, and support.

Use 5" by 8" note cards and divider tabs. Set up a section of your file with a divider tab for each of the four categories of technical assistance:

- Manufacturing and Production
- Marketing Management
- General Organization and Management
- Financial Management

Make a file card for each technical aspect of your business in which your skill or experience is weak. For example, in section 2, Marketing Management, your first file card might be headed Marketing Research if that is an area of weakness. Continue through the entire list of technical assistance possibilities in each category on HO 2-3 (from unit 2 assignment).

Let's take a few minutes now and use the yellow pages of the telephone directory to identify possible community resources.

You might want to discuss your decisions with your peers and check each other's cards for accuracy.

Ask participants what organization(s) they would use to use as role models for their businesses. List these on the chalkboard or a blank TP and ask for specific reasons why they were chosen.

Ask participants to set up a file box containing names and addresses of potential community resources and technical assistance sources.

Allow participants to add to the community resource and technical assistance file names they identify from the yellow pages.

**CONTENT****PROCESS**

You will want to add a fifth divider tab in your file called Miscellaneous Support for those people you meet and with whom you will want to maintain business relationships. If they have a particular area of expertise, you'll want to note it on your card.

**D. Compensating for Personal and Technical Weaknesses**

Partnerships or the use of outside technical assistance can be an excellent replacement for characteristics and skills a small business owner may not have.

It is hard to wear all hats at once. Thus, it often becomes essential to identify an individual, or individuals, who can help you.

What are the potential sources for adding to your own expertise?

Outside assistance might come from one of the following sources:

- Spouse or family member
- Formal partnership organization
- Staff
- Consultants
- A course
- Regular exchange meetings with other entrepreneurs

You may want to mention again the community advisory committee that will be working with participants later on in the course. They will also want to add to their file these people and their areas of expertise.

Distribute HO 3-1: Entrepreneurs Must Be.

List key sources on the chalkboard or a blank TP.

Divide participants into small groups. Ask the recorder for each group to present points to the entire class.

**CONTENT****PROCESS****E. Identifying Your Mentor**

Ways to get mentors more involved might include the following:

- Take your mentor out to lunch
- Ask for help on one problem.
- Ask for advice on financing based on his or her experience
- Share your business ideas
- Pay the person to be a consultant
- Observe this person's business style and ask questions
- Ask about this mentor's role models or mentors

If you do not have a mentor, identify someone in the community who has impressed you. Tell him or her about your class and ask if he or she would be willing to serve as your entrepreneurial mentor or business advisor.

**F. Experiences of a Small Business Owner**

Ask participants to fill out HO 3-2: Mentor Survey.

Ask participants how they could get this person(s) more involved in helping them.

List answers on the chalkboard or a blank TP.

A presentation from one (or two) successful small business owners should end this unit to support the need for and opportunity for assistance from a mentor. Ideally, this person is also a member of the community advisory committee. Ask your guests to share experiences related to the following:

- Why did they go into this particular business?
- What did they do before going into this business?
- What help was needed to go into this business?

**CONTENT****PROCESS****G. Assignment**

You will need to confer with your mentor throughout this course—when you make your product and service survey and competitive survey and when you develop your business plan.

You will also want to invite your mentor to your last class meeting where you will present your business plan.

- Who provided the most help from outside?
- Would they be willing to be a mentor if someone asked?
- What would be the best way to get help from a mentor?
- What would be the best way to find a mentor who would help?
- What personal characteristics did they have and what was missing and needed to be successful?

Allow participants to ask any questions they might have.

Complete HO 3-2: Mentor Survey.

## Entrepreneurs Must Be . . .

- |   |   |
|---|---|
| <input type="checkbox"/> Financier              | <input type="checkbox"/> Stock Clerk          |
| <input type="checkbox"/> Insurance Manager      | <input type="checkbox"/> Warehouseman         |
| <input type="checkbox"/> Shipper                | <input type="checkbox"/> Driver               |
| <input type="checkbox"/> Advertising Copywriter | <input type="checkbox"/> Artist               |
| <input type="checkbox"/> Engineer               | <input type="checkbox"/> Sign Painter         |
| <input type="checkbox"/> Public Relations Agent | <input type="checkbox"/> Electrician          |
| <input type="checkbox"/> Designer               | <input type="checkbox"/> Salesperson          |
| <input type="checkbox"/> Architect              | <input type="checkbox"/> Ombudsperson         |
| <input type="checkbox"/> Display Artisan        | <input type="checkbox"/> Editor               |
| <input type="checkbox"/> Personnel Manager      | <input type="checkbox"/> Maintenance Engineer |
| <input type="checkbox"/> Wage Clerk             | <input type="checkbox"/> Supervisor           |
| <input type="checkbox"/> Accountant             | <input type="checkbox"/> Manager              |
| <input type="checkbox"/> File Clerk             | <input type="checkbox"/> Superintendent       |
| <input type="checkbox"/> Teacher                | <input type="checkbox"/> Tax Expert           |
| <input type="checkbox"/> Bookkeeper             | <input type="checkbox"/> Analyst              |
| <input type="checkbox"/> Mechanic               | <input type="checkbox"/> Economist            |
| <input type="checkbox"/> Secretary              | <input type="checkbox"/> Inventor             |
| <input type="checkbox"/> Groundskeeper          | <input type="checkbox"/> Travel Clerk         |
| <input type="checkbox"/> Motor Pool Officer     | <input type="checkbox"/> Writer               |
| <input type="checkbox"/> Showperson             | <input type="checkbox"/> Police Officer       |
| <input type="checkbox"/> Billing Clerk          | <input type="checkbox"/> Custodian            |

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Determining Your Potential as an Entrepreneur," Level 2 Research and Development Series no. 240 BB 2, *Program for Acquiring Competence in Vocational Education (PACE)*, Revised (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 4

### Mentor Survey

1. Have you ever had a mentor? Yes  No
  
2. If your answer is yes, describe your mentor (position, organization, and so forth). \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
3. In what period of your life did you encounter this mentor? (check one)  
 youth  
 young adulthood  
 middle adulthood  
 late adulthood
  
4. Where did you encounter this person? \_\_\_\_\_  
\_\_\_\_\_
  
5. Do you have a mentor now? Yes  No
  
6. If your answer is yes, describe your mentor (position, organization, and so forth). \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
7. In what period of your life did you encounter this mentor? (check one)  
 youth  
 young adulthood  
 middle adulthood  
 late adulthood
  
8. Where did you encounter this person? \_\_\_\_\_  
\_\_\_\_\_
  
9. Did your mentor influence your decision to consider small business ownership?  
Yes  No
  
10. If your answer is yes, explain. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Mentor Survey—Continued**

11. If you do not presently have a mentor, describe a business person that you feel has provided inspiration as a business leader, someone you might recruit as your business advisor. \_\_\_\_\_

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12. Whether you presently have a mentor or not, list three ways a mentor might help as you start your business. \_\_\_\_\_

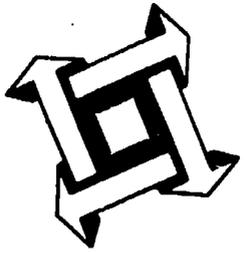
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# **Assessing Personal Finances**

## UNIT 4

**Title:** **ASSESSING PERSONAL FINANCES**

**Purpose:** This unit is designed to help participants determine their financial capacity to support a small business venture.

**Objectives:** Upon completion of this unit, participants will—

- have assessed their personal finances and
- have determined their financial feasibility to undertake a business venture.

**Materials:** Handout 4-1: Personal Balance Sheet Statement  
Handout 4-2: Detailed Personal Budget  
Handout 4-3: Personal Living Expense Worksheet

Credit applications (obtain from financial agencies)

**Products:** Personal balance sheet  
Personal budget  
Personal living expenses worksheet  
Personal credit history record

**Assignment:** Develop a personal balance sheet.  
Develop a detailed budget.  
Complete a credit application.  
Complete a profile credit history.  
Identify possible sources of funding based on credit history.

**Notes to Instructor:** A counselor from a consumer credit counseling service or a faculty member in consumer education would be an excellent resource on the topic of generating a personal budget.

Find someone... who has recently started a small business in the area. Ask this person to tell the class about some of the credit references and documents required before debt financing is extended.

Invite representatives from a bank, finance company, life insurance company, savings and loan, and Federal loan agencies (SBA) to discuss financing opportunities (see sample questions in text).

Ideally, these people will also be members of the community advisory committee.

Speakers should plan to attend only 2 hours of the session. Questions should be provided to the speakers in advance to help them prepare for a 15-minute presentation (75 minutes total). Fifteen minutes should be allowed for questions and answers.

The instructor should provide the summary remarks.

If you are using all 10 units as a total package, it is suggested that at the conclusion of this unit participants be allowed to decide if they wish to continue with or discontinue the program. They will at this point have determined their desirability to be entrepreneurs.

<b>Estimated Time:</b>	Balance sheet activity	40 minutes
	Personal budget discussion	40 minutes
	Class break	5 minutes
	Speakers and questions and answers	75 minutes
	Summary remarks and assignments	20 minutes

## CONTENT

## PROCESS

Equity financing in its simplest form involves the owners' putting their own money into the business. Frequently, a small business is started by one person. Personal savings that are used to start the business are called *equity capital*. Let us now examine some of the forms used to assess your financial standing.

### A. Developing a Personal Balance Sheet

What is a personal balance sheet?

Your personal balance sheet provides any potential lender with an overall view of your financial condition. If you have a strong personal financial position, illustrated by a sufficiently large net worth, you are generally more appealing as a loan applicant. An entrepreneur with a weak financial position and a large number of debts may not meet the standards of lenders.

The personal balance sheet includes a summary of your assets, what you own that has cash value, and your liabilities or debts. The example in HO 4-1 is for an entrepreneur starting a flower shop.

Preparing a personal balance sheet involves a few simple steps.

- Step 1. Determine the value of all your assets—the items you own that have cash value—and list them on the balance sheet.
- Step 2. Total the value of your assets.
- Step 3. List all of your debts.
- Step 4. Total the amount of your debts also called liabilities.
- Step 5. Deduct your liabilities from your total assets. This is your net worth.

Define *equity financing*.

Establish the importance of having good credit.

Introduce the personal balance sheet.

Distribute HO 4-1: Personal Balance Sheet Statement

Discuss the steps in preparing a personal balance sheet.

Ask participants what they can tell about the flower business owner based on the information in the personal balance sheet.

**CONTENT****PROCESS**

The financial position of the entrepreneur starting the flower business is solid. The assets include cash, personal savings, life insurance, an automobile, real estate, and personal property. The liabilities are fairly limited with the biggest loan being the mortgage on the real estate. There is about \$2.22 worth of assets for every \$1 of liability. It is evident that the entrepreneur has handled his or her personal financial affairs well. This will certainly impress a commercial or government lender and should help in obtaining the necessary debt financing to get the flower shop started.

**B. Generating a Personal Budget**

How do you prepare a personal budget?

Entrepreneurs should also remember to consider their personal living expenses when determining the total financing needed to start the business. In some situations, an entrepreneur will have to take money from the business each month to pay all or part of personal living expenses. If this is the case, it is critical that the amount needed be known and at least that much be paid to the owner as a salary.

The business owner's living expenses are handled in numerous ways. Sometimes the owner will continue to hold a regular paying job in order to receive a steady paycheck until the new business is large enough to support itself.

(As suggested in the introduction, you might wish to consider inviting a faculty member in consumer education or a counselor from a consumer credit counseling service to help participants generate a personal budget.)

Introduce the personal budget. Distribute HO 4-2: Detailed Personal Budget.

## CONTENT

## PROCESS

Other times the income of the owner's spouse is sufficient, and it is not necessary to consider personal living expenses when determining how much cash is needed to get the business going. Then, too, some entrepreneurs will have several months of personal living expenses saved to use until the business has grown enough to produce a salary.

The personal living expenses worksheet is an effective means of determining the entrepreneur's cost of living. With a total figure in mind, the business owner can then calculate how the expenses will be handled.

The entrepreneur who started the flower shop did not take a salary. This was to keep monthly operating expenses (and consequently, the cash needed to start the business) as low as possible. Also, this was practical because the entrepreneur's spouse earned enough income to pay all of their personal living expenses.

The sample Personal Living Expense Worksheet illustrates this situation. According to the flower shop entrepreneur, personal living expenses totaled \$1,775 per month. The spouse's take-home pay was \$1,815.\*

### C. Examining Debt Financing and Assessing Your Credit History

*Debt financing* means borrowing the money needed to start the business. There are numerous sources available to finance the start-up of a business enterprise. Thus the question becomes, what is the best source from which you, as an individual, can secure financing? Your credit rating

Discuss the hazards of going into business without an adequate income to support your living expenses for a minimum of 1 year.

Distribute HO 4-3: Personal Living Expense Worksheet.

Identify and discuss the items to include on the personal living expense worksheet.

Define *debt financing*.

\*M. Catherine Ashmore and Sandra G. Pritz, comp., "Financing the Business," Level 2, Research and Development Series no. 240 BB 8, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 4-12

**CONTENT****PROCESS**

and history will most definitely affect this decision. Therefore, an examination of your credit history and information concerning funding sources will need to be made.

Break

Introduce the panel (or community advisory committee) to the class.

Tell participants that a small business owner will address the questions on credit history, the banker will describe the advantages and disadvantages of the various financial sources, and representatives from various financial institutions will discuss the sources of loans for financing a new business and criteria for evaluating loan applicants.

The panel should address the following questions:

- How important is a good credit history in starting a new business?
- What factors affect the granting or non-granting of a loan?
- Compare the advantages and disadvantages of the various sources of financing for a new business.
- What are the sources of financing for a new business?
- What are the advantages and disadvantages of equity financing?
- What are the advantages and disadvantages of debt financing?
- What are the advantages and disadvantages of other financing sources?
- Describe the sources of loans that may be available for financing a new business.
- What are the different types of loans for financing a new business?

## CONTENT

## PROCESS

- Who are the commercial lenders?
- What are the government sources of loans?
- Explain the criteria used by lending institutions to evaluate loan applications.
- How do lenders evaluate loan application packages?
- What are some sources of loans for new businesses (banks, credit unions, commercial finance companies, consumer finance companies, life insurance companies, savings and loan associations, and various government agencies)?
- What are the six Cs of credit evaluation? Discuss.
  1. **Character** refers to the type of person the borrower is (honest, reliable).
  2. **Capital** is the amount of money that the person has personally invested in the business.
  3. **Capacity** relates to the skill and drive of the person in a managerial sense.
  4. **Collateral** is the security that the person can offer for the loan.
  5. **Circumstances** are factors that affect the loan but that are not under the control of the borrower.
  6. **Coverage** focuses on insurance protection.

Allow participants to ask questions they might have.

**CONTENT****PROCESS****D. Summary**

In this unit, you have learned about the personal financial data to be used as part of your loan application package in the event you decide to open a small business.

Your personal balance sheet illustrates your personal financial position. This document graphically presents your assets, what you own that has cash value, your liabilities or debts, and your net worth. You may use this financial information to do the following:

- To determine your personal equity available to invest in an enterprise
- To include in a financial loan package

The personal budget, on the other hand, provides an effective means of determining your costs of living and should be utilized to project living expenses for a 1-year period at the minimum. The entrepreneur should be prepared to live without expected income from the business for at least 1 year.

Together, the balance sheet and budget establishes your financial suitability for small business ownership and helps dictate the form of ownership that should be considered.

**E. Assignment**

By using the information you have received in this class and the handouts as guides, you will need to do the following:

- Develop a personal balance sheet and a personal detailed budget
- Complete a credit application and profile your credit history. (Identify possible sources of funding based on credit

Summarize class experiences.

(Types of ownership are discussed in unit 7.)

Obtain credit applications from local financial agencies for this exercise.

**CONTENT****PROCESS**

history—long term, short term—and who will loan the money—banks, loan companies.)

You will be using this information (from these forms) later when you actually interview with a financial officer and when you develop your own business plan.

**F. Exit Point (optional)**

Thus far in this course, you have evaluated your entrepreneurial potential, via a self-assessment, evaluated your business skills, started building a community resource and support system, and assessed your personal finances.

These activities were designed to help you determine your desire to become an entrepreneur—the desirability of owning a business.

If there are those of you who know at this time that business ownership is not for you, you may want to discontinue the course now.

However, if you are unsure, it is advisable that you continue with us as we discuss your business ideas in more detail and actually plan your small business.

Allow participants to decide if they want to continue or discontinue the course.

## Personal Balance Sheet Statement

### PERSONAL BALANCE SHEET STATEMENT

\_\_\_\_\_ 19 \_\_\_\_\_

**ASSETS:** Everything you own with cash value

Cash money you have on hand and in the bank	\$ 975.00
Savings accounts	<u>\$10,000.00</u>
Stocks, bonds, other securities	\$ --
Accounts/notes receivable	\$ --
Life insurance cash value	<u>\$ 2,139.00</u>
Rebates/refunds	\$ --
Autos/other vehicles	<u>\$ 6,342.00</u>
Real estate	<u>\$62,500.00</u>
Vested pension plan/retirement accounts	\$ --
Other assets (furnishings, appliances, jewelry, furs, cameras, tools, pets, trusts, etc.)	<u>\$ 5,417.00</u>
<b>TOTAL ASSETS</b>	<u><b>\$87,373.00</b></u>

**LIABILITIES:** What you owe; your debts

Accounts payable	\$ 350.00
Contracts payable	<u>\$ 1,150.00</u>
Notes payable	\$ --
Taxes	<u>\$ 2,485.00</u>
Real estate loans	<u>\$35,475.00</u>
Other liabilities (court-demanded payments, etc.)	\$ --
<b>TOTAL LIABILITIES</b>	<u><b>\$39,460.00</b></u>

TOTAL ASSETS	<u>\$87,373.00</u>	-
LESS TOTAL LIABILITIES	<u>\$39,460.00</u>	
<b>NET WORTH</b>		<u><b>\$47,913.00</b></u>

**Personal Balance Sheet for Retail Flower Shop Owner**

SOURCE Reprinted with permission from Bank of America NT&SA. "Steps to Starting a Business" 10. no. 10 *Small Business Reporter*. copyright 1976

### Detailed Personal Budget

Based on average month—does not cover purchase of any new items except emergency replacements.

#### DETAILED BUDGET

##### Regular Monthly Payments

● Rent or House Payments (including taxes)	<u>\$ 350</u>
● Car Payments (including insurance)	<u>175</u>
● Appliances/TV Payments	<u>65</u>
● Home Improvement Loan Payments	<u>0</u>
● Personal Loan Payments	<u>35</u>
● Health Plan Payments	<u>55</u>
● Life Insurance Premiums	<u>110</u>
● Other Insurance Premiums	<u>50</u>
● Miscellaneous Payments	<u>50</u>
<b>TOTAL</b>	<b><u>\$ 890</u></b>

##### Household Operating Expense

● Telephone	<u>60</u>
● Gas and Electricity	<u>140</u>
● Water	<u>25</u>
● Other Household Expenses, Repairs, Maintenance	<u>75</u>
<b>TOTAL</b>	<b><u>\$ 300</u></b>

##### Food Expense

● Food—At Home	<u>150</u>
● Food—Away From Home	<u>50</u>
<b>TOTAL</b>	<b><u>\$ 200</u></b>

##### Personal Expense

● Clothing, Cleaning, Laundry, Shoe Repair	<u>65</u>
● Drugs	<u>15</u>
● Doctors and Dentists	<u>30</u>
● Education	<u>0</u>
● Dues	<u>0</u>
● Gifts and Contributions	<u>10</u>
● Travel	<u>0</u>
● Newspapers, Magazines, Books	<u>15</u>
● Auto Upkeep, Gas, and Parking	<u>150</u>
● Spending Money, Allowances	<u>100</u>
<b>TOTAL</b>	<b><u>\$ 385</u></b>

Total Personal Living Expenses **\$ 1,775**

Spouse's Net Monthly Pay **\$ 1,815**

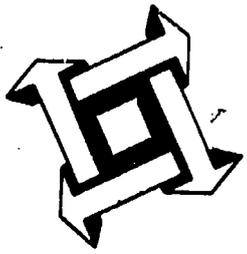
SOURCE M. Catherine Ashmore and Sandra G. Pritz, comp. "Financing the Business." Level 3. Research and Development Series no. 240 CB 8. *Program for Acquiring Competence in Entrepreneurship (PACE) Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982) 15

### Personal Living Expense Worksheet

Based on average month—does not cover purchase of any new items except emergency replenishments.

<p><b>DETAILED BUDGET</b></p> <p>Regular Monthly Payments _____</p> <p>Rent or House Payments (including taxes) _____</p> <p>Car Payments (including insurance) _____</p> <p>Appliances/TV Payments _____</p> <p>Home Improvements Loan Payments _____</p> <p>Personal Loan Payments _____</p> <p>Health Plan Payments _____</p> <p>Life Insurance Premiums _____</p> <p>Other Insurance Premiums _____</p> <p>Other Insurance Premiums _____</p> <p>Miscellaneous Payments _____</p> <p style="text-align: right;"><b>TOTAL</b> _____</p> <p>Household Operating Expense</p> <p>Telephone _____</p> <p>Gas and Electricity _____</p> <p>Water _____</p> <p>Other Household Expenses, Repairs, Maintenance _____</p> <p style="text-align: right;"><b>TOTAL</b>      \$ _____</p>	<p><b>Food Expense</b></p> <p>Food at Home _____</p> <p>Food Away from Home _____</p> <p style="text-align: center;"><b>TOTAL</b> _____</p> <p><b>Personal Expense</b></p> <p>Clothing, Cleaning, Laundry, Shoe Repair _____</p> <p>Drugs _____</p> <p>Doctors and Dentists _____</p> <p>Education _____</p> <p>Dues _____</p> <p>Gifts and Contributions _____</p> <p>Travel _____</p> <p>Newspapers, Magazines, Books _____</p> <p>Auto Upkeep, Gas and Parking _____</p> <p>Spending Money, Allowances _____</p> <p style="text-align: right;"><b>TOTAL</b>      \$ _____</p>
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SOURCE M. Catherine Ashmore and Sandra G. Pritz, comp. "Instructor's Guide," Level 3, Research and Development Series no. 240 CA, *Program for Acquiring Competence in Entrepreneurship (PACE) Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 175.



# **Completing a Product or Service Survey**

## UNIT 5

**Title:** **COMPLETING A PRODUCT OR SERVICE SURVEY**

**Purpose:** This unit is designed to help participants define, refine, and evaluate their individual business ideas.

**Objectives:** Upon completion of this unit, participants will—

- have identified a potential business idea,
- understand the importance of constantly monitoring the needs of the consumer, and
- know how to analyze product or service feasibility.

**Materials:** Handout 5-1: New Business Ideas  
Handout 5-2: Who, What, When, Where, and Why of the Product Market

Transparency 5-1: What Motivates People to Buy?  
Transparency 5-2: Factors Affecting Consumer Market  
Transparency 5-3: Local Sources for Marketing Information

**Product:** Survey of the product market relative to individual business idea

**Assignment:** Conduct out-of-class product market survey relative to business idea.

**Notes to Instructor:** Invite to the class a local chamber of commerce research manager or local State department of commerce labor economist to discuss the prospects for small business development in the standard metropolitan area. Such a discussion will lay the groundwork for identifying potential business ideas and should include information about small business growth in the immediate area and trends and projections.

<b>Estimated Time:</b>	Prospects for small business development	50 minutes
	Identifying business ideas	65 minutes
	Consumer market and how to gather data	60 minutes
	Assignment	5 minutes

## CONTENT

## PROCESS

So far in this class, we have looked at your personal potential to start a business. Now we are going to look at your specific business ideas and determine how they will work in our community.

In this unit, we will—

- identify small business ideas.
- look at the economic system and the entrepreneur's role in the economic exchange process, and
- talk about how to gather data about the consumer and the product or service.

#### A. Identifying a Business Idea

Now, let's look at your business ideas.

What is a business idea?

A *business idea* is the convergence of the entrepreneur's understanding of—

- self,
- market (customer), and
- product or service.

We already have an understanding of *self* as a result of the self-assessment and review of business and technical skills. Also, the occupational employment projection and the Standard Industrial Codes (from unit 1) give some indication of the kinds of employment or businesses needed in the future.

Before we explore your business ideas, we are going to hear about the prospects for small business development in this area.

Help participants arrive at a definition of a *business idea*.

Refer to HO 1-3 and HO 1-4 from unit 1.

Introduce guest speaker. As suggested in the introduction, the person might be the chamber of commerce research manager or the local State department of commerce labor economist.

Allow participants time to ask questions

CONTENT	PROCESS
<p>Now, let's explore your business ideas.</p> <p>Ideas might come from the following:</p> <ul style="list-style-type: none"> <li>• Services needed by others</li> <li>• Entertainment</li> <li>• Marketing the products of others</li> <li>• Repair services</li> <li>• New inventions</li> <li>• Extension of hobbies</li> <li>• Home businesses</li> <li>• Businesses in a van</li> <li>• Others</li> </ul> <p><b>B. Analyzing Product or Service Feasibility</b></p> <p><b>1. Consumer Market</b></p> <p>Analyzing the feasibility of the product or service in the community requires knowing the consumer market.</p> <p>The consumer market consists of purchasers—individuals or households—who buy products or services for their own use but do not buy products for the purpose of making a profit from them.</p> <p>Consumers buy to satisfy their own or their family's wants and needs. When they buy any product or service, they do so because of what they expect the product or service to do for them.</p> <p>People are motivated to buy for two basic reasons:</p>	<p>Following the presentation, you might wish to take a 5-minute break.</p> <p>Divide participants into small groups to brainstorm businesses they might start. (Allow approximately 30 minutes. Participants can use HO 5-1 to categorize their ideas.)</p> <p>At the end of the small-group brainstorming session, list on the chalkboard or a blank TP some of the ideas that were generated. Ask how many participants actually have a business idea they wish to pursue.</p> <p>Help participants understand why it is important to know about their consumer market.</p> <p>Distribute TP 5-1: What Motivates People to Buy?</p>

## CONTENT

## PROCESS

- **Emotional reasons**—pride of personal appearance, social achievement, ambition, cleanliness, pleasure, increased leisure time
- **Rational needs**—durability, economy in use, economy in purchase, handiness, efficiency in operation, dependability in use

Psychologists have found in their research that consumer buying behavior is first directed toward satisfying certain basic needs. These very basic needs include food, shelter, and sleep. An individual attempting to fulfill the most basic needs is usually influenced more directly by rational motives. Persons with few resources need the most for their money in terms of quantity, quality, and dependability.

Most Americans live above a basic survival level, and they make many purchases to fulfill needs other than just the basic ones. Therefore, their purchasing is often done to satisfy both rational and emotional buying motives. This fact makes the job of selling to consumers more difficult.

Many consumers won't admit they purchase goods and services to satisfy emotional needs. Most psychologists believe that distinctiveness and pride in personal appearance are emotional buying motives, but customers may think of them in other ways. They may look for quality or value as well. In this sense, it might be said that all consumer buying motives are logical. However, certain motives generally seem to be more rational than others. Because people think of themselves as rational individuals, they tend to express their reasons for buying in very logical ways.

Help participants understand consumer behavior and how it influences the market.

**CONTENT****PROCESS**

To market a product or service successfully, you need to be aware of what motivates the primary consumer to buy that product or service.

## 2. Factors Affecting the Consumer Market

The consumer market is continuously changing. Many factors have contributed to consumer changes in the last few years. Can you name some?

- Population changes, such as shifts in age distribution and greater mobility
- Size and distribution of income, including increases in total purchasing power and the amount spent for "luxuries"
- Changes in life-style and attitudes
- A greater percentage of women in the work force
- More leisure time
- More purchases on credit
- An increase in the number of white-collar and skilled workers
- Higher overall educational level of population

You should watch for changes carefully. In order to respond to them, you may need to modify or refine some of your marketing policies and procedures. Predicting and keeping up with changes in the marketplace are important and difficult tasks. Market information must be collected and analyzed continually.\*

Ask participants to name factors that have recently affected the consumer market.

Use TP 5-2: Factors Affecting Consumer Market.

\*M. Catherine Ashmore and Sandra G. Pritz, comp., "Planning the Marketing Strategy," Level 2, Research and Development Series no. 240 BB 6, *Program for Acquiring Competence in Entrepreneurship (PACE)*, Revised (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 6-8

## CONTENT

## PROCESS

**3. Framework for Collecting Data**

The "five Ws" are a framework around which you can gather data about a potential market to better understand and predict buyer behavior.

Notice that there are five questions (who, what, when, where, and why) with factors and elements particular to each.

What are some sources for various marketing information?

- Bureau of the Census
- Small Business Administration
- U.S. Departments of Labor and Commerce
- Federal Reserve Board
- Trade associations
- Trade journals and business magazines
- Chambers of commerce
- Banks
- Newspapers
- Utility companies
- Libraries

What are the two most common methods for collecting data?

- Interview—face-to-face and telephone
- Observation—observing and talking to customers
- Published reports

Distribute and discuss HO 5-2: Who, What, When, Where, and Why of the Product Market.

Refer to TP 5-3: Local Sources for Marketing Information.

Instruct participants to analyze the market potential for their business idea, product, or service.

Tell participants to utilize their community contacts.

**CONTENT****PROCESS****C. Assignment**

Use the "five Ws" handout to analyze the market potential of your business idea, product, or service.

Complete as many of the factor areas as possible.

At the next class meeting, we will divide into small groups and discuss your individual successes, failures, and other interesting experiences.

### New Business Ideas

#### Services needed by others

alterations  
cleaning services  
personal shopping

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#### Repair services

auto body repair  
paint and trim  
custodial services

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#### Entertainment

music groups  
tour guides  
social coordinator

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#### Others

restaurants  
recreation centers  
video games

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#### Marketing products of others

crafts  
ceramics  
flower arranging

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**Who, What, When, Where, and Why of the Product Market**

Question	Factors	Elements
Who	Demographics	<ul style="list-style-type: none"> <li>• Population                             <ul style="list-style-type: none"> <li>—numbers</li> <li>—growth rate</li> <li>—decline</li> <li>—movement (in and out)</li> <li>—age (average and trends)</li> <li>—sex</li> <li>—racial and ethnic mix</li> <li>—marital status (numbers, trends)</li> </ul> </li>   <li>• Education                             <ul style="list-style-type: none"> <li>—number of schools (all levels)</li> <li>—education levels (average, trends)</li> <li>—how much expended (taxes, trends)</li> </ul> </li>   <li>• Family structure                             <ul style="list-style-type: none"> <li>—numbers</li> <li>—composition</li> <li>—trends</li> <li>—marriages and separations</li> </ul> </li>   <li>• Economic                             <ul style="list-style-type: none"> <li>—individual income levels</li> <li>—business income levels</li> <li>—occupations</li> <li>—asset ownership (land, homes, autos, capital)</li> </ul> </li>   <li>• Housing                             <ul style="list-style-type: none"> <li>—age</li> <li>—starts (trends)</li> <li>—ownership patterns</li> <li>—rental units (numbers, trends)</li> </ul> </li> </ul>

**Who, What, When, Where, and Why of the Product Market—Continued**

Question	Factors	Elements
What	Products or services	<ul style="list-style-type: none"> <li>• Market surveys (formal)</li> <li>• Unobtrusive measures (informal observations)</li> </ul>
When	Timing	<ul style="list-style-type: none"> <li>• Business cycles</li> <li>• Product cycles</li> <li>• Customer cycles</li> </ul>
Where	Location	<ul style="list-style-type: none"> <li>• Your market</li> <li>• Your labor force</li> <li>• Transportation</li> <li>• Raw materials</li> <li>• Suitable site (personal factors)</li> <li>• Community interest (business and economic development environment)</li> </ul>
Why	Effective demand	<ul style="list-style-type: none"> <li>• Purchasing power of population</li> <li>• Purchasing habits and trends</li> </ul>

# WHAT MOTIVATES PEOPLE TO BUY?

## 1. EMOTIONAL REASONS:

- PRIDE OF PERSONAL APPEARANCE
- SOCIAL ACHIEVEMENT
- AMBITION
- CLEANLINESS
- PLEASURE
- INCREASED LEISURE TIME

## 2. RATIONAL NEEDS:

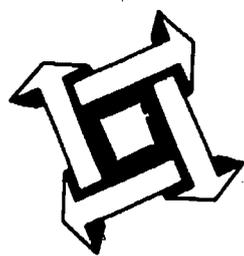
- DURABILITY
- ECONOMY IN USE
- HANDINESS
- EFFICIENCY IN OPERATION
- DEPENDABILITY

## **FACTORS AFFECTING CONSUMER MARKET**

- **POPULATION CHANGES**
  - **SIZE AND DISTRIBUTION OF INCOME**
  - **MORE WOMEN IN THE WORK FORCE**
  - **MORE LEISURE TIME**
- 
- **MORE AVAILABLE CREDIT**
  - **INCREASED NUMBER OF SKILLED WORKERS**
  - **HIGHER OVERALL EDUCATION LEVEL OF POPULATION**

## **LOCAL SOURCES FOR MARKETING INFORMATION**

- **BUREAU OF THE CENSUS**
- **SMALL BUSINESS ADMINISTRATION**
- **U.S. DEPARTMENTS OF LABOR AND COMMERCE**
- **FEDERAL RESERVE BOARD**
- **TRADE ASSOCIATIONS**
- **TRADE JOURNALS AND BUSINESS MAGAZINES**
- **CHAMBERS OF COMMERCE**
- **BANKS**
- **NEWSPAPERS**
- **UTILITY COMPANIES**
- **LOCAL LIBRARIES**



# **Conducting a Competitive Market Survey**

## UNIT 6

**Title:** CONDUCTING A COMPETITIVE MARKET SURVEY

**Purpose:** This unit is designed to help participants analyze the competitive market relative to their individual business ideas.

**Objectives:** Upon completion of this unit, participants will—

- understand the need to analyze consumer needs and product information,
- know the marketing factors relative to analyzing the competition,
- know the location factors relative to analyzing the competition, and
- know how to conduct an analysis of the competitive market relative to their products or services.

**Materials:** Handout 6-1: Analyzing Competition: Marketing Factors  
Handout 6-2: Analyzing Competition: Location Factors  
Handout 6-3: Preliminary Marketing Plan

**Product:** Preliminary Marketing Plan

**Assignment:** Conduct out-of-class competitive market analysis relative to individual business idea.

**Notes to Instructor:** It is suggested that you have two small business owners discuss marketing factors and location factors. Firsthand experiences described by entrepreneurs help participants see the need to develop a well-thought-out marketing plan and to determine the best possible location for their business. Be sure to ask guests to incorporate specific marketing and location factors as outlined in the content of this unit. Ideally, these people are members of the community advisory committee.

<b>Estimated Time:</b>	Product or service survey results	60 minutes
	Marketing factors discussion	55 minutes
	Location factors discussion	55 minutes
	Assignment	10 minutes

## CONTENT

## PROCESS

**A. Results of Product or Service Survey**

After you have gathered and analyzed customer and product information, decisions about the business can be made. The business must be organized to satisfy prospective customers and to make a profit.

The "golden rule of marketing" says that an analysis of the market will determine if the product can be—

- sold,
- sold for a profit, and
- sold for profitable growth.

**B. Analyzing Competition****1. Marketing Factors**

In analyzing competition, there are two groups of factors, or conditions, that need to be examined:

- Marketing factors
- Location factors

Marketing contributes to the successful exchange of goods and services between producers and consumers. In order for the marketing function to accomplish its task effectively, there are four elements that must be examined:

Divide into small groups and discuss the results of the out-of-class exercise on product or service analysis. Each group should select a person to report the successes, failures, and other interesting experiences to the class.

Discuss any problems or questions that may have surfaced.

Focus on specific things participants learned about themselves, their product, business idea, the market, and so forth.

Introduce the "golden rule of marketing" concept.

Introduce a guest small business owner who will discuss marketing factors.

Discuss marketing, introducing the "four Ps" of marketing.

## CONTENT

## PROCESS

- Product
- Price
- Place
- Promotion

These are commonly called the "four Ps" of marketing. The combination of these components is known as the *marketing mix*. If a business can effectively combine the four elements of the marketing mix, sales of products or services should be profitable and customers should be satisfied.

Each component of the marketing mix has a function. First, to develop the *product* component of the marketing mix effectively, it is extremely important to know who the potential customers are and what they want or need. Then the right product must be produced or purchased.

*Price* is the second component in the marketing mix. The objective of pricing is to offer the product or service at a price that is equal to the value received by the customer. The right price is the one that—

- will be attractive to customers and
- is high enough to cover the cost of doing business and to generate a profit.

*Place* is the third element of the marketing function. Place simply means making the product or service available at a place that is convenient for customers. In order to implement this component effectively, the entrepreneur must know customers' buying habits. Finding the right place depends upon the type of product or service and how the customers normally buys it.

What is *marketing mix* and why is it so important?

Discuss the function of each component of marketing.

## CONTENT

## PROCESS

The last component of the marketing mix is promotion. Promotion involves trying to determine the proper means of communicating the availability and benefits of the product or service to the potential customer. Deciding on the right methods of promotion will involve a careful analysis of the product, price, and place components of the marketing mix.\*

## 2. Location Factors

When planning for the location of a small business, three general factors should be considered: economics, population, and competition.

A major concern in planning the location of a small business is the *economic base* of the area. The type of industry in an area will influence the economic conditions of the region. Agriculture, manufacturing, and commercial trade are major types of industry. The mix of industries in an area is an important item. Some areas depend on one industry, whereas other areas have a balanced variety of business establishments. The future of the area should be studied in terms of the stability of the economic base.

Other economic factors are important when locating a business. Good highways and railroad facilities are favorable to business. The availability of public utilities and a well-trained labor force is a positive factor. Local taxes are also an economic factor.

Questions you might answer are the following:

Introduce a guest small business owner who will discuss location factors.

What factors should be considered when selecting a business location? List these on the chalkboard or a blank TP. Answers may need to be categorized under the three general factors discussed here.

What questions would you ask about the economic base?

\*M. Catherine Ashmore and Sandra G. Pritz, comp., "Planning the Marketing Strategy." Level 2. Research and Development Series no. 240 BB 6, *Program for Acquiring Competence in Entrepreneurship (PACE)*, Revised (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 11-12.

## CONTENT

## PROCESS

- Do townspeople depend on one industry or business for their jobs, or does the community have a variety of industries?
- Is industry in the area healthy?
- Are many of the local jobs seasonal in nature?
- Are industries moving in or are they locating elsewhere?

A second general factor that affects business location is the nature of the *population*. Because the income of individuals determines the demand for goods and services, owners of small businesses should gather information about the income patterns of the region. Population trends should also be reviewed. The growth and the standard of living are items of particular interest.

Specific questions that need to be answered include the following:

- What is the average income?
- Is there a mixture of income levels (low, medium, high) in the area or does the area have predominately one income level?
- What are the employment and unemployment trends?
- Do most people own or rent their homes?
- What recent changes have occurred in the population?

The third factor concerns the number and type of *competitors* or potential competitors. This is important because an area can support only a limited number of competing businesses. If too

What questions would you ask about the population?

**CONTENT****PROCESS**

many of the same type of business locate in the same area, they may all have limited sales and several may not survive. A small business owner can determine if the competition is alert and up-to-date by driving through the area and visiting a number of firms. The presence of chain stores, franchises, and other major firms should be noted. You should know not only how many competitors exist in your sales market, but also where they are located.

You should also find out how many businesses similar to yours have opened or closed in the past 2 years. Indirect competition that provides similar kinds of goods and services is another factor to analyze.

Questions that you might want to answer are the following:

- How large are the competitors?
- What do their customers think about the products or services offered by the existing establishments?
- What type of management—cooperative or cutthroat—exists in the area?
- If there is little or no competition, why not?
- What is the history of businesses like yours in the area?

Three conditions favorable to opening a new business are these:

- The absence of similar businesses
- The presence of poorly managed businesses

What questions would you ask about competitors?

**CONTENT****PROCESS**

- An expanding market\*

A study of your competition will let you know if any of these conditions exist.

**C. Assignment**

HO 6-1 and 6-2 summarize the basic questions you will need to answer about your competition with respect to marketing and location.

Use these handouts to study and analyze your competition. Try to answer as many of the questions as possible. You will need to use your community contacts and the local resource handout (from unit 5).

Once information has been obtained, use HO 6-3 to outline your preliminary marketing plan. At the next class meeting, we will discuss your findings.

Distribute HO 6-1: Analyzing Competition: Marketing Factors, HO 6-2: Analyzing Competition: Location Factors, and HO 6-3: Preliminary Marketing Plan.

\*M. Catherine Ashmore and Sandra G. Pritz, comp., "Locating the Business," Level 2, Research and Development Series no. 240 BB 7, *Program for Acquiring Competence in Entrepreneurship (PACE)*, Revised (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 4-5

## **Analyzing Competition: Marketing Factors**

### **1. Product or Service**

- How is the product or service defined?
- How is the product or service similar to others offered in the area?
- How is the product or service different from other products and services in the area?
- Does the competition specialize?
- Does the competition emphasize variety?
- Does the competition cater to the mass market?

### **2. Price**

- What is the average selling price for similar products?
- What is the average product markup?
- What is the average profit margin for similar products?
- What are the specific volume and discount considerations of competitors?
- What are the market shares of competitors?

### **Analyzing Competition: Marketing Factors—Continued**

#### **3. Place**

- Where is your proposed (facility) place located?
- Where will the product be displayed within the facility?
- Where is the competition's (facility) located?

#### **4. Promotion**

- Through which media does the competition advertise?
- What are the average advertising costs in your industry?
- How recognizable (name recognition) is the competition?

## Analyzing Competition: Location Factors

### 1. Characteristics of the *Economy*:

- What types of industry exist in the area?

Agriculture  
Manufacturing  
Wholesale  
Retail  
Other

- What is the condition of the industrial base?

Stable  
Growing  
Declining

### 2. Characteristics of the *Population*:

- What income levels exist in the area?

High  
Middle  
Low

- Which age levels contain the most individuals?

Preteenagers  
Teenagers  
Young Adults  
Adults  
Senior Citizens

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Locating the Business." Level 2. Research and Development Series no. 240 BB 7. *Program for Acquiring Competence in Entrepreneurship (PACE)*. Revised (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 9-10

**Analyzing Competition: Location Factors—Continued**

- Where do the majority of people live?

Urban  
Suburban areas  
Rural areas

**3. Characteristics of the Competition:**

- How many competitors exist?

Many  
Few  
None

- Where do the competitors exist?

Along the main streets  
Scattered throughout the area  
In shopping centers

- What type of competitor is evident?

National or regional businesses  
Franchise operations  
Local operations



**Preliminary Marketing Plan—Continued**

- Describe your competitors.

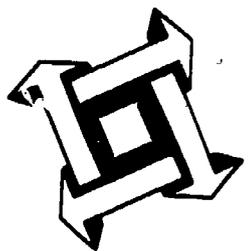
Name	Market position
• _____	_____
• _____	_____
• _____	_____
• _____	_____

- Describe your pricing strategy.

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- What is your promotional message to potential customers?

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# Planning a Business

## UNIT 7

**Title:** **PLANNING A BUSINESS**

**Purpose:** This unit is designed to help participants appreciate and understand the dynamics and critical importance of small business organizational and financial planning.

**Objectives:** Upon completion of this unit, participants will—

- have an understanding of the advantages and disadvantages of various types of business ownership,
- have an understanding of the advantages and disadvantages of various types of financing, and
- have an understanding of the various financial and record-keeping forms that comprise a basic financial plan.

**Materials:**

- Handout 7-1: Advantages and Disadvantages of Types of Ownership
- Handout 7-2: Sample Record-keeping Forms for a Small Business
- Handout 7-3: Advantages and Disadvantages of Equity and Debt Financing
- Handout 7-4: Case Study: EverReady Repair Service
- Handout 7-5: Blank Financial Forms for EverReady Repair Service Case Study
- Handout 7-6: Completed Financial Forms for EverReady Repair Services Case Study

Transparency 7-1: Licenses and Permits for a Small Business  
Transparency 7-2: Basic Financial Planning Forms

**Product:** Completed Financial Forms for Case Study

**Assignment:** Contact a commercial loan officer to find out what is required to fill out a commercial loan application.

**Notes to Instructor:** This unit was designed to provide basic operational information to participants who have little training in business and accounting. It covers a great deal of material in as simplified a way as possible so that the concepts can be used in developing the participant's own plan.

To assist participants in completing the financial planning exercise in this unit and in developing their preliminary business plan in unit 8, the following steps are suggested:

- The community advisory committee should be present to answer questions and assist in whatever way possible.
- A local college or university with a business management program should be contacted to solicit the assistance of management majors who can act in a consulting capacity.

Participants can use the completed forms, HO 7-6, to check their work.

<b>Estimated Time:</b>	Competitive market survey review	40 minutes
	Organizing a business	45 minutes
	Financial planning	90 minutes
	Assignment	5 minutes

## CONTENT

## PROCESS

**A. Competitive Market Survey Results**

Now that you have given a lot of thought to your business idea, are there any questions to be resolved before you can plan your business?

**B. Organizing A Small Business**

Thus far, you have decided on a business, identified a target audience, have an idea about marketing strategy, and know how your business fits in with the competition.

**1. Will You Have a Sole Proprietorship, Partnership, Corporation, or a Franchise?**

The most common form of business organization is the *sole proprietorship*. This business is owned by one person. It is usually operated by this person. Many times, though, it is run with the help of new employees, often family members. Sole proprietorships can usually operate with very limited capital resources. Sole proprietorships exist in a great variety of businesses.

These may include the neighborhood beauty shop, restaurant, and so on.

The sole proprietorship is the least complicated form of organization. It is the easiest to enter into and terminate. Entry requires little more than a location, expertise in the area of business

Discuss the results of the competitive market survey from the previous unit. Questions to stimulate the discussion might be these:

- How does competition affect your idea?
- How successful were you in evaluating competition?
- What strategies did you use to evaluate competition?

Ask participants if they are satisfied with their business idea. If there are too many questions, ask participants to write their questions on cards so that you can respond to them individually later.

What types of business ownerships are there? What kind would be best for you?

Discuss the types of business ownerships participants might want to have.

Use HO 7-1: Advantages and Disadvantages of Types of Ownership.

## CONTENT

## PROCESS

considered, a source of capital, the ability to make contracts, and the desire to start your own business. Terminating generally requires paying your debts and closing your doors.

A *partnership* is a business that has two or more co-owners. Often, but not always, a partnership is formed when a sole proprietor takes on additional owners. These additional owners help in certain areas of expertise or skill. They may also aid in expanding the business by raising additional capital as there is a limit to what one person can borrow. Partnerships are found in every type of business. Forming a partnership may be the answer for many businesses, especially those that require more initial capital than one person can raise alone.

The *corporation* is an association of three or more owners that is chartered by a State. It is given the power to transact business, to enter into contracts, and to sue or be sued as a legal entity. The corporation acts on its own through its officers. They have power to make contracts and carry out business activities. These are done in the same manner as a sole proprietorship or partnership. Forming a corporation offers advantages to those who need lots of capital, but it requires a large amount of extra capital to start and to operate.

The *franchise* is the fastest growing form of business in the United States today. Many types of businesses lend themselves to the franchise type of operation—motels, tax services, vending machine companies, and so on. Although becoming a franchisee seems to be an easy way of becoming an entrepreneur, owning a franchise is no guarantee of success. A franchise represents a continuing relationship between the franchisor and the franchisee. The franchisor's knowledge,

**CONTENT****PROCESS**

image, success, and manufacturing and marketing techniques are supplied to the franchisee for a price. The entrepreneur who buys a franchise buys a "pre-packaged" business operated under contract with the franchisor.\*

### 2. How Many Employees Will You Need?

The answer to this question depends on your income and the amount of work that is needed.

Labor costs vary according to employee responsibility and background. Generally, in determining costs per employee, you can estimate benefits and taxes as being 20 percent of the total wages.

Part-time help and spot labor are often more economical for a new small business.

### 3. How Will You Keep Track of Your Money?

There are unlimited records that might be kept by a business. As you grow larger, you will find a need for more detailed records. At first, however, you can keep most information in the following ways:

- Daily, weekly, and monthly sales records
- Bank deposit records and monthly balance of accounts
- Cash disbursements journal
- Accounts payable ledger
- Accounts receivable ledger

How many employees will you need? What will they do and what will you pay them?

What kind of record-keeping system will you need?

Distribute HO 7-2: Sample Record-keeping Forms for a Small Business.

\*M. Catherine Ashmore and Sandra G. Pritz, comp., "Choosing the Type of Ownership," Level 2, Research and Development Series no. 240 BB 5, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 3-5.



CONTENT	PROCESS
<ul style="list-style-type: none"> <li>• Capital equipment list</li> <li>• Projected annual income statement               <ul style="list-style-type: none"> <li>—estimated sales</li> <li>—cost of goods sold</li> <li>—gross margin</li> <li>—estimated expenses</li> <li>—net profit or loss</li> </ul> </li> <li>• Cash flow projection               <ul style="list-style-type: none"> <li>—receipts</li> <li>—disbursements</li> </ul> </li> <li>• Monthly cash balance on hand               <ul style="list-style-type: none"> <li>—plus loan proceeds and cash on hand</li> <li>—plus cash receipts</li> <li>—minus cash disbursements</li> <li>—equals balance on hand</li> </ul> </li> <li>• Sources and applications of financing               <ul style="list-style-type: none"> <li>—sources: bank, stock, partners, venture capital, Small Business Administration</li> <li>—applications: purchase equipment, building, inventory, working capital, reserve</li> </ul> </li> </ul>	
<p><b>2. Financial Planning Exercise</b></p> <p>You will need to divide into three groups. The people with the strongest financial backgrounds should head each group.</p>	<p>Distribute and discuss HO 7-3: Advantages and Disadvantages of Equity and Debt Financing.</p> <p>Distribute HO 7-4: Case Study: EverReady Repair Service and HO 7-5: Blank Financial Forms for EverReady Repair Service Case Study.</p>

**CONTENT****PROCESS**

Using HO 7-4 and 7-5 and the Ever-Ready Repair Service case study, let's see which group can prepare the necessary financial statements first and correctly.

**D. Assignment**

Next week, we will begin to develop your preliminary business plan using the information we have covered thus far.

To be better prepared to deal with financial needs, set up an interview with a local commercial bank. Ask the loan officer to go over the business loan application. Explain that you have a preliminary idea for a business and wish to find out what you will need to do to submit your loan application.

The community advisory committee or management majors should be present to answer questions and assist participants.

Using HO 7-6: Completed Financial Forms for the EverReady Repair Service Case Study, participants can check their answers—as a total class activity—to identify any problems. Depending on remaining time, the instructor could address each problem with the class as a whole or with the participants having problems.

### Advantages and Disadvantages of Types of Ownership

Forms of Ownership	Advantages	Disadvantages
Sole Proprietorship	<ol style="list-style-type: none"> <li>1. Low start-up costs</li> <li>2. Greatest freedom from regulation</li> <li>3. Owner in direct control</li> <li>4. Minimal working capital requirements</li> <li>5. Tax advantage to small owner</li> <li>6. All profits to owner</li> </ol>	<ol style="list-style-type: none"> <li>1. Unlimited liability</li> <li>2. Lack of continuity</li> <li>3. Difficulty in raising capital</li> </ol>
Partnership	<ol style="list-style-type: none"> <li>1. Ease of formation</li> <li>2. Low start-up costs</li> <li>3. Additional sources of venture capital</li> <li>4. Broader management base</li> <li>5. Possible tax advantage</li> <li>6. Limited outside regulation</li> </ol>	<ol style="list-style-type: none"> <li>1. Unlimited liability</li> <li>2. Lack of continuity</li> <li>3. Divided authority</li> <li>4. Difficulty in raising additional capital</li> <li>5. Difficulty in finding suitable partners</li> </ol>
Corporation	<ol style="list-style-type: none"> <li>1. Limited liability</li> <li>2. Specialized management</li> <li>3. Transferable ownership</li> <li>4. Continuous existence</li> <li>5. Legal entity</li> <li>6. Possible tax advantages</li> <li>7. Ease of raising capital</li> </ol>	<ol style="list-style-type: none"> <li>1. Close regulation</li> <li>2. Most expensive form to organize</li> <li>3. Charter restrictions</li> <li>4. Extensive recordkeeping</li> <li>5. Double taxation</li> </ol>
Franchise	<ol style="list-style-type: none"> <li>1. Smaller-than-usual capital investment</li> <li>2. Less working capital than normally required</li> <li>3. Prior public acceptance of product or service</li> <li>4. Management assistance</li> <li>5. Better-than-average profit margins</li> </ol>	<ol style="list-style-type: none"> <li>1. Possible high franchisor fees, supplies, and charges</li> <li>2. Some loss of independence</li> <li>3. Possible difficulties in cancelling contracts</li> </ol>

SOURCE: Adapted from *Going into Business for Yourself* by Gary L. Kuebbeler (Columbus: Ohio Distributive Education Materials Lab, The Ohio State University, n.d.).

### Sample Record-keeping Forms for a Small Business

Daily Sales and Cash Summary	
Date	September 15, 19 _____
Cash sales	\$435.00
Charge sales	75.00
Accounts receivable	80.00
Miscellaneous	10.00
	<u>\$600.00</u>

Daily Sales and Cash Summary	
	DATE September 15, 19 _____
<u>Receipts</u>	
1. Cash sales	\$ <u>435.00</u>
2. Accounts receivable	<u>80.00</u>
3. Miscellaneous	<u>10.00</u>
4. TOTAL CASH RECEIPTS	\$ <u><u>525.00</u></u>
<u>Cash Count</u>	
5. Cash in Register	
Checks	\$ <u>65.00</u>
Currency	<u>695.00</u>
Change	<u>25.00</u>
6. Cash and checks in vault	\$ <u>35.00</u>
7. Petty cash slips	<u>5.00</u>
8. TOTAL CASH	\$ <u><u>825.00</u></u>
9. Less bank deposit	\$ <u>500.00</u>
10. ENDING CASH	\$ <u><u>325.00</u></u>
<u>Total Sales</u>	
11. Cash sales -- Line 1	\$ <u>435.00</u>
12. Charge sales	<u>75.00</u>
13. TOTAL SALES	\$ <u><u>510.00</u></u>
	By _____

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Keeping the Business Records," Level 2, Research and Development Series no. 240 BB 15, *Program for Acquiring Competence in Entrepreneurship (PACE)*, Revised (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 11-13 and 15.

## Sample Record-keeping Forms for a Small Business—Continued

### Accounts Receivable Record

Customer	<u>Ann Flower</u>	Phone	<u>455-6387</u>	
Address	<u>23 Florence Road Venice, FL</u>			
<u>Date</u>	<u>Details</u>	<u>Charge</u>	<u>Payment</u>	<u>Balance</u>
March 7, 1982	Sales slip No. 237	\$457.00		\$457.00
May 6, 1982	Check No. 972		\$250.00	207.00
June 1, 1982	Check No. 1007		207.00	-0-

### Accounts Payable Record

Name	<u>Complete Supply Co.</u>	Phone	<u>457-1234</u>	
Address	<u>45 Elm Street Walsmore, Ohio</u>			
<u>Date</u>	<u>Invoice No.</u>	<u>Charge</u>	<u>Payment</u>	<u>Balance</u>
9/11/82	6734	\$427.00		\$427.00
11/01/82	6734		\$427.00	-0-

### Sample Payroll Register

_____	Name of Employee
_____	Social Security Number
_____	Number of Exemptions
_____	Ending Date of the Pay Period
_____	Hours Worked (if applicable)
_____	Rate of Pay
_____	Total Wages
Deductions (itemized to include: federal income tax, FICA—Social Security, state and/or local income tax, and state disability insurance (if applicable). Other deductions might include health insurance and retirement fund.)	

## Advantages and Disadvantages of Equity and Debit Financing

Type of Financing	Advantages	Disadvantages
<b>I. EQUITY FINANCING</b> <b>A. Using personal savings</b>	<ol style="list-style-type: none"> <li>1. Keep all of the profits</li> <li>2. Reduce amount of debt</li> <li>3. Risk of loss provides motivation to succeed</li> <li>4. Shows good faith to any potential lenders</li> </ol>	<ol style="list-style-type: none"> <li>1. Chance of loss</li> <li>2. May force personal sacrifices</li> <li>3. Loss of return from use of savings</li> </ol>
<b>B. Involving friends and family</b>	<ol style="list-style-type: none"> <li>1. Easy and quick source of cash</li> <li>2. Less pressure and restrictions</li> <li>3. Informal arrangements</li> </ol>	<ol style="list-style-type: none"> <li>1. Risk of destroying personal relationship</li> <li>2. May encourage unwanted involvement in business</li> </ol>
<b>C. Forming a partnership</b>	<ol style="list-style-type: none"> <li>1. Brings in more cash</li> <li>2. May be able to borrow more</li> <li>3. Share financial risks</li> </ol>	<ol style="list-style-type: none"> <li>1. Give up part of profits</li> <li>2. Give up part of the ownership</li> </ol>
<b>D. Incorporating the business</b>	<ol style="list-style-type: none"> <li>1. Raise large amount of cash</li> <li>2. Share financial risks</li> <li>3. Reduce legal liability</li> <li>4. Tax savings</li> </ol>	<ol style="list-style-type: none"> <li>1. Give up part of profits</li> <li>2. Give up share of control and ownership</li> </ol>
<b>E. Using venture capital</b>	<ol style="list-style-type: none"> <li>1. Large amounts of money available</li> <li>2. Money available for calculated risks</li> <li>3. Maintain control and operation of business</li> <li>4. Additional assistance usually available</li> </ol>	<ol style="list-style-type: none"> <li>1. Most small businesses don't qualify</li> <li>2. Must give up part of ownership of the business</li> </ol>
<b>F. Working with SBICs</b>	<ol style="list-style-type: none"> <li>1. Set up specifically to help small businesses</li> <li>2. Provide loans, too</li> <li>3. Special assistance for minority businesses</li> <li>4. Others applicable from venture capital</li> </ol>	<ol style="list-style-type: none"> <li>1. Favor expanding businesses versus starting businesses</li> <li>2. Others applicable from venture capital</li> </ol>
<b>II. DEBT FINANCING</b> (Includes all forms of borrowing)	<ol style="list-style-type: none"> <li>1. Relatively easy and quick to obtain</li> <li>2. Maintain control and ownership of the business</li> <li>3. Repay at more advantageous time</li> <li>4. May actually be able to save money</li> <li>5. Interest and other costs are tax deductible</li> <li>6. Inflation allows repayment in cheaper dollars</li> </ol>	<ol style="list-style-type: none"> <li>1. Interest costs are expensive</li> <li>2. Risk that future profits will cover repayment</li> <li>3. Easy to abuse and overuse</li> <li>4. Must share financial and other confidential information</li> <li>5. Lender may impose limitations or restrictions on borrower</li> </ol>

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Financing the Business," Level 2, Research and Development Series no. 240 BB 8, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 17.

## Case Study: EverReady Repair Service

### Background

EverReady Repair Service (ERS) is a mobile engine diagnostic and electrical repair service. ERS specializes in on-site diagnostics and repair of automobile and truck electrical systems. ERS business operations are conducted exclusively from a light panel truck owned and operated by the sole proprietor of ERS, Mr. Alec Tricity.

Mr. Tricity started ERS in 1982, 2 years after being laid off from the General Motors (GM) Assembly Plant in Brookpark, Ohio. For 6 years, Tricity installed and tested electrical consoles for GM. In his last year at Brookpark, Tricity received training on newly developed computer diagnostic equipment. In the 2 years it took Tricity to decide to launch his own business, the diagnostic equipment on which he trained became an industry standard in electrical systems analysis. As a result, the "auto mechanic" experienced an elevation in status to "auto technician."

Immediately upon graduation from the Joint Vocational School of Delaware, Ohio, where he studied auto mechanics, Alec Tricity was invited to participate in the U.S. experiment with representative democracy in Southeast Asia. Upon his return in 1974 from the failed experiment, Tricity completed a popular truck mechanics course and landed a job with an interstate trucking firm. He remained with the firm for 18 months, at which point he accepted employment from GM in Brookpark, Ohio.

Alec Tricity's experience in the area of automotive electronics includes: vocational training, military training and work (Saigon motorpool), specialized truck training, and ongoing industrial training.

### Business Idea

Midway through what Tricity felt was an increasingly sedate and tranquil life-style, a la GM, he noticed growing vexation as his personal auto began breaking down. He became especially irate with electrical problems. Upon deeper reflection, Alec Tricity determined—

1. that electrical breakdowns are completely debilitating since the auto has to be towed and
2. that electrical breakdowns rarely happen in transit—when the auto "goes down" it happens at end points, often necessitating long, expensive service tows.

Tricity thought what a marvelous idea it would be for someone to offer diagnostic repair service on an "on-call" basis—doctor calls at home or on the road for your sick auto. Much logistical expense and annoyance would be obviated with such a service.

### Operations

Alec Tricity started ERS with the purchase of a Chevrolet light panel truck and a High Caliber 2020 mobile engine analyzer (manufactured by High Caliber, Inc.). Tricity purchased the truck with a 3-year, \$16,000 truck loan (\$480 per month). He purchased the engine analyzer for \$8,000.

### **Case Study: EverReady Repair Service—Continued**

Management at the GM plant in Brookpark helped arrange a 16-month credit plan through which High Caliber, Inc., agreed to accept 16 installments of \$500 each to pay off the purchase.

To secure an initial inventory of general electrical replacement parts, Tricity delved into his savings (\$9,000) to the tune of \$2,000. Because he had been collecting specialized tools and hand-held analyzers as he progressed through his training, the purchase of tools and light equipment did not represent a significant expense. Tricity's "garage on wheels" was ready to go.

For an initial promotion campaign, Tricity placed small advertisements in the in-house employee publications at the GM plant. He photocopied 20,000 promotional flyers and delivered the flyers to houses in selected neighborhoods in Brookpark and the greater Cleveland area. Being a one-person operation, Tricity figured that word-of-mouth promotion would suffice in the early months of the business as the "bugs" were being worked out of his operations.

Having checked advertising rates in the greater Cleveland area, Tricity decided that well-placed ads in several suburban weeklies would be more cost-effective than going for premium space in the big city dailies. Once he recouped his initial promotion costs, he planned a monthly ad campaign in two suburban weekly newspapers (2 inch by 1 column display ads at \$15 per ad). In addition, Tricity discovered that the truck itself could serve as an effective advertising medium. He once again tapped savings for a \$250 lettering and design job for the panels of his truck.

Once he had purchased about \$75 worth of record-keeping supplies (\$10 per month to maintain), Alec Tricity was ready to go. Although both he and his truck were now "operative," the State was not. Upon advice from a friend, Tricity sought the counsel of an attorney prior to engaging in any business transactions. In addition to the business license (\$20), the electricians license (\$50), and a registration of the truck as a commercial vehicle (\$50), Tricity learned that he needed to file special tax papers with the IRS. Based on the overwhelming number of legalities affecting business operations, Tricity decided to hold the attorney on a retainer basis for the next 6 months (\$50 per month).

Through a fleet service contract with his old employer, Alec Tricity was able to test out his equipment and systems on several jobs prior to "going public." Because his arrangement with GM called for a quarterly payment schedule for services rendered during the previous quarter, Tricity had quickly established a solid and reliable accounts receivable credit plan (\$300).

In order to maintain good communication with existing and potential customers, Mr. Tricity recognized the need to relay messages quickly while he was "out in the field." To accomplish this, he dipped again into savings, pulling out \$1,000 to set up a communications network. The network was comprised of a telephone answering machine and cellular phone system to relay messages from his home phone to the truck. Based on a newly developed metered service, Tricity estimated that it would cost him approximately \$100 per month to maintain the telephone service.

In addition to the direct operating expenses described above, Alec Tricity also incurred several recurring administrative expenses. He budgeted approximately \$100 per month for insurance: business liability, inventory, comprehensive on the truck, and replacement cost of the High Caliber 2020 analyzer. He also calculated that his tax burden would average about \$200 per quarter. Because the two loans (truck, analyzer) were new, Tricity calculated that the payments in the first

**Case Study: EverReady Repair Service—Continued**

several months would represent interest only. Because the "truck is the business" and the "business is the truck," Tricity projected that an accelerated maintenance schedule on the truck would cost him approximately \$30 per month.

Just prior to completing his cash projection, Tricity figured that the cost of miscellaneous incidentals would average about \$25 per month. In addition, he projected the need for a cash reserve of \$900 for unexpected expenses or losses, special purchases, and so forth.

Finally, as a last step prior to venturing forth, Alec Tricity determined that he needed to pay himself a minimum of \$1,000 per month to cover those personal expenses he could not apply against his business income.

All of Tricity's financial estimates were based on a sales projection of approximately \$35,000 per year.

**Blank Financial Forms for  
EverReady Repair Service Case Study  
WORKSHEET**

ESTIMATED MONTHLY EXPENSES			
Item	Your estimate of monthly expenses based on sales of \$ _____ per year	Your estimate of how much cash you need to start your business (See column 3.)	What to put in column 2 (These figures are typical for one kind of business. You will have to decide how many months to allow for in your business.)
	Column 1	Column 2	Column 3
Salary of owner/manager	\$	\$	2 times column 1
All other salaries and wages			3 times column 1
Rent			3 times column 1
Advertising			3 times column 1
Delivery expense			3 times column 1
Supplies			3 times column 1
Telephone and telegraph			3 times column 1
Other utilities			3 times column 1
Insurance			Payment required by insurance company
Taxes, including Social Security			4 times column 1
Interest			3 times column 1
Maintenance			3 times column 1
Legal and other professional fees			3 times column 1
Miscellaneous			3 times column 1
<b>STARTING COSTS YOU ONLY HAVE TO PAY ONCE</b>			Leave column 2 blank
Fixtures and equipment			Fill in worksheet 3 on page 12 and put the total here
Decorating and remodeling			Talk it over with a contractor
Installation of fixtures and equipment			Talk to suppliers from who you buy these
Starting inventory			Suppliers will probably help you estimate this
Deposits with public utilities			Find out from utilities companies
Legal and other professional fees			Lawyer, accountant, and so on
Licenses and permits			Find out from city offices what you have to have
Advertising and promotion for opening			Estimate what you'll use
Accounts receivable			What you need to buy more stock until credit customers pay
Cash			For unexpected expenses or losses, special purchases, etc.
Other			Make a separate list and enter total
<b>TOTAL ESTIMATED CASH YOU NEED TO START WITH</b>		\$	Add up all the numbers in column 2

SOURCE: Small Business Administration, "Checklist for Going into Business," *Small Marketers' Aid No. 71* (Washington, DC: Small Business Administration, 1975).

Blank Financial Forms

Capital Equipment List

Major Equipment

Cost or  
List Price

Minor Equipment

Capital Equipment Total \_\_\_\_\_

Blank Financial Forms—*continued*

BEGINNING BALANCE SHEET

Current Assets        \$

Current Liabilities

Long-Term Liabilities \$

Fixed Assets        \$

Net Worth:

Total Assets        \$ \_\_\_\_\_

Total Liabilities and  
Net Worth        \$ \_\_\_\_\_

Blank Financial Forms—*continued*

BEGINNING ACCOUNTS PAYABLE

Source

Dollar Amount  
Cash Value

**Total**

**\$** \_\_\_\_\_

## Blank Financial Forms—continued

PROJECTED ANNUAL INCOME STATEMENT		
( + )	Sales	\$ _____
	Cost of Materials and Goods	\$ _____
	Variable Labor Costs	\$ _____
( - )	<u>Cost of Goods Sold</u>	\$ _____
( = )	Gross Margin	\$ _____
<hr/>		
( - )	Operating Expenses	\$ _____
( - )	Fixed Expenses	\$ _____
( = )	Total Expenses	\$ _____
<hr/>		
( + )	Gross Margin	\$ _____
( - )	Total Expenses	\$ _____
( = )	Net Profit or Loss (before taxes)	( - ) \$ _____

Blank Financial Form—*continued*

CASH FLOW PROJECTION

	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>
( + ) (1) Cash Receipts			
( - ) Variable Cash Disbursements			
( - ) Fixed Cash Disbursements			
( - ) Loan Payments			
( = ) (2) Total Cash Disbursements			

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( + ) (1) Cash Receipts			
( - ) (2) Cash Disbursements			
( = ) (3) Net Cash Flow			

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Blank Financial Forms—continued

MONTHLY CASH BALANCE (end of month)

	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>
( + ) Loan Proceeds	_____	_____	_____
( + ) Cash on Hand	_____	_____	_____
( + ) Cash Receipts	_____	_____	_____
<u>( - ) Cash Disbursements</u>	_____	_____	_____
( = ) New Month's End Balance			



Blank Financial Forms *continued*

**SOURCES AND APPLICATION OF FINANCING**

**Sources**

**Bank Loans**

- 1. Mortgage Loan
- 2. Term Loan
- 3. Credit Loan

\_\_\_\_\_

**Total \$**

**Applications**

**Purchase Building**

**Equipment**

**Renovations**

**Inventory**

**Working Capital**

**Reserve**

\_\_\_\_\_

**Total \$**

**Completed Financial Forms for  
EverReady Repair Service Case Study  
WORKSHEET**

ESTIMATED MONTHLY EXPENSES			
Item	Your estimate of monthly expenses based on sales of \$ <u>35,000</u> per year	Your estimate of how much cash you need to start your business (See column 3.)	What to put in column 2 (These figures are typical for one kind of business. You will have to decide how many months to allow for in your business.)
	Column 1	Column 2	Column 3
Salary of owner/manager	\$ 1,000	\$ 3,000	2 times column 1
All other salaries and wages	-----	-----	3 times column 1
Rent	-----	-----	3 times column 1
Advertising	30	90	3 times column 1
Delivery expense	-----	-----	3 times column 1
Supplies	10	30	3 times column 1
Telephone and telegraph	100	300	3 times column 1
Other utilities	-----	-----	3 times column 1
Insurance	100	100	Payment required by insurance company
Taxes, including Social Security	200	800	4 times column 1
Interest	980	2,940	3 times column 1
Maintenance	30	90	3 times column 1
Legal and other professional fees	50	150	3 times column 1
Miscellaneous	25	75	3 times column 1
<b>STARTING COSTS YOU ONLY HAVE TO PAY ONCE</b>			Leave column 2 blank
Fixtures and equipment		1,000	Fill in worksheet 3 on page 12 and put the total here
Decorating and remodeling		250	Talk it over with a contractor
Installation of fixtures and equipment		-----	Talk to suppliers from who you buy these
Starting inventory		2,000	Suppliers will probably help you estimate this
Deposits with public utilities		-----	Find out from utilities companies
Legal and other professional fees		50	Lawyer, accountant, and so on
Licenses and permits		120	Find out from city offices what you have to have
Advertising and promotion for opening		200	Estimate what you'll use
Accounts receivable		300	What you need to buy more stock until credit customers pay
Cash		900	For unexpected expenses or losses, special purchases, etc.
Other		75	Make a separate list and enter total
<b>TOTAL ESTIMATED CASH YOU NEED TO START WITH</b>		<b>\$ 12,470</b>	Add up all the numbers in column 2

SOURCE: Small Business Administration, "Checklist for Going into Business," *Small Marketers' Aid No. 71* (Washington, DC: Small Business Administration, 1975).

Completed Forms for EverReady  
Repair Service Case Study—continued

CAPITAL EQUIPMENT LIST

Major Equipment

Cost or  
List Price

Truck

\$16,000

Engine Analyzer

\$ 8,000

Minor Equipment

None

-0-

Capital Equipment Total \$24,000

**Completed Forms for EverReady**  
**Repair Service Case Study—continued**

**BEGINNING BALANCE SHEET**

<u>Current Assets</u>	\$	<u>Current Liabilities</u>	
Cash	900	None	-0-
Accounts Rec.	300		
Inventory	2,000		
Supplies	75		
		<u>Long-Term Liabilities</u>	\$
		Truck Loan	16,000
		16-month GM Credit Plan	8,000
<u>Fixed Assets</u>	\$		
Truck	16,000		
Equipment	8,000		
Telephone Sys.	1,000		
		<u>Net Worth:</u>	
		Owner's Equity	\$ 4,275
<u>Total Assets</u>	<u>\$ 28,275</u>	<u>Total Liabilities and Net Worth</u>	<u>\$ 28,275</u>



Completed Forms for EverReady  
Repair Service Case Study—*continued*

PROJECTED ANNUAL INCOME STATEMENT

(+ )	Sales	\$ 35,000
	Cost of Materials and Goods	\$ 2,000
	Variable Labor Costs	\$ -0-
(- )	<u>Cost of Goods Sold</u>	<u>\$ 2,000</u>
(= )	Gross Margin	<u>\$ 33,000</u>
(- )	Operating Expenses	\$ 30,300
(- )	Fixed Expenses	\$ 4,895
(= )	<u>Total Expenses</u>	<u>\$ 35,195</u>
(+ )	Gross Margin	\$ 33,000
(- )	<u>Total Expenses</u>	<u>\$ 35,195</u>
(= )	Net Profit or Loss (before taxes)	( - ) <u>\$ 2,195</u>

**Completed Forms for EverReady**  
**Repair Service Case Study—continued**

**CASH FLOW PROJECTION**

	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>
(+ ) (1) <b>Cash Receipts</b>	\$ 2,917	2,917	2,917
(- ) <b>Variable Cash Disbursements</b>	195	195	195
(- ) <b>Fixed Cash Disbursements</b>	1,350	1,350	1,350
(- ) <b>Loan Payments</b>	980	980	980
(= ) (2) <b>Total Cash Disbursements</b>	\$ 2,525	2,525	2,525
<hr/>			
(+ ) (1) <b>Cash Receipts</b>	\$ 2,917	2,917	2,917
(- ) (2) <b>Cash Disbursements</b>	<u>2,525</u>	<u>2,525</u>	<u>2,525</u>
(= ) (3) <b>Net Cash Flow</b>	(+ ) \$ 392	(+ ) 392	(+ ) 392

## Completed Forms for EverReady

## Repair Case Study—continued

MONTHLY CASH BALANCE (end of month)

	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>
( + ) Loan Proceeds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
( + ) Cash on Hand	<u>900</u>	<u>900</u>	<u>900</u>
( + ) Cash Receipts	<u>2,917</u>	<u>2,917</u>	<u>2,917</u>
( - ) <u>Cash Disbursements</u>	<u>2,525</u>	<u>2,525</u>	<u>2,525</u>
( = ) New Month's End Balance	\$ 1,292	\$ 1,292	\$ 1,292

Completed Forms for EverReady  
 Repair Service Case Study—*continued*

**SOURCES AND APPLICATION OF FINANCING**

**Sources**

**Bank Loans**

1. Mortgage Loan	
2. Term Loan	16,000
3. Credit Loan	8,000
	<hr/>
Total \$	24,000

**Applications**

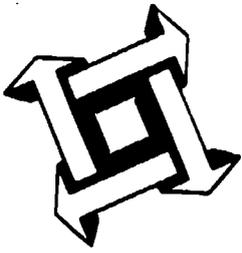
Purchase Building	
Equipment	24,000
Renovations	
Inventory	
Working Capital	
Reserve	
	<hr/>
Total \$	24,000

# LICENSES AND PERMITS FOR A SMALL BUSINESS

- SOCIAL SECURITY
- INCOME TAXES
- SALES TAXES
- PROPERTY TAXES
- TRUCK LICENSES
- WORKERS' COMPENSATION
- EMPLOYMENT TAXES
- BUSINESS LICENSES

# **BASIC FINANCIAL PLANNING FORMS**

- **ESTIMATED COSTS OF STARTING YOUR BUSINESS**
- **CAPITAL EQUIPMENT LIST**
- **BEGINNING BALANCE SHEET**
- **PROJECTED ANNUAL INCOME STATEMENT**
- **CASH FLOW PROJECTION**
- **MONTHLY CASH BALANCE ON HAND**
- **SOURCES AND APPLICATIONS OF FINANCING**



# **Developing a Business Plan**

UNIT 8

## UNIT 8

### Title: **DEVELOPING A BUSINESS PLAN**

**Purpose:** This unit is designed to help participants develop a business plan.

**Objective:** Upon completion of this unit, participants will know the components of a business plan and will understand how such a plan contributes to the small business owner's success.

**Materials:** Handout 8-1: Questions to Be Answered in a Business Plan  
Handout 8-2: Business Plan Checksheet  
Handout 8-3: A Sample Business Plan

Transparency 8-1: The Business Plan

**Product:** A Preliminary Business Plan

**Assignment:** Continue developing a preliminary business plan.

Prepare a presentation of the business plan for the wrap-up session.

**Notes to Instructor:** The information that has been collected in the community surveys should be utilized to develop the preliminary business plan. In addition, to assist participants in developing their preliminary business plan, the following are suggested:

- The community advisory committee should be present to answer questions and assist in whatever way possible.
- A local college or university with a business management program should be contacted to solicit the assistance of management majors who can act in a consulting capacity.

Participants should continue the development of their business plans as an out-of-class activity and should be instructed to prepare an oral presentation of their plans for the wrap-up session.

An invitation should be extended to each mentor or business advisor and to the committee members to attend the wrap-up session.

<b>Estimated Time:</b>	Description of a business plan and checksheet activity	60 minutes
	Development of a preliminary business plan	120 minutes

**CONTENT****PROCESS**

In this unit, you will combine the information you have collected from the community surveys (consumer, product or service, competitor) to develop a plan by which you can start up and operate your small business.

Before actually writing your plan, we need to talk about—

- what a plan is,
- how a business plan helps a small business owner, and
- what information a business plan should include.

**A. What Is a Business Plan?**

Each year, thousands of Americans try to realize their dream of owning their own business. Many of these businesses fail. Why?

Many fail because the entrepreneurs didn't plan carefully before opening the business. A business plan on paper is like a road map—it gets you where you want to go via a well-planned, organized route.

**B. How Does a Business Plan Help Small Business Owners?**

A business plan leads to a sound business structure.

The business plan requires the future owner to examine the various types of business organizations to select the best one for the owner's needs. After careful consideration of the types of business structures available, the future owner is in a better position to balance personal needs against the advantages and limitations of each type of organization.

- A business plan produces a marketing plan.

Discuss what a business plan encompasses.

Use TP 8-1: The Business Plan.

Briefly review the four types of business ownerships (unit 7).

**CONTENT****PROCESS**

The marketing plan identifies the company's typical customers and tells how to attract and keep them. It is vital to the success of the business. Thinking through every aspect of the marketing strategy in advance will help you decide how the new business can be superior to the competition.

- A business plan clarifies financial needs.

The business plan clarifies the financial needs of the business. It will receive careful review by the bankers, lending agencies, or individuals who might make money available to start the business. The financial plan includes an estimate of the dollars needed to open the business and to sustain it for 18 months. The annual and monthly flow of cash must be projected for the first year of operation. The sales volume required to produce the anticipated cash must be calculated.

- A business plan identifies management pathways.

The business plan helps you identify your management needs and provides a path for you to follow while the business is young. Actually, the management plan for the first year of operation is the heart of the business plan. You will include plans for organizing the business, supervising employees, controlling finances, conforming to government regulations, and assuming the role of owner-manager in the business.

- A business plan serves as a communication tool.

Finally, your business plan will become an important communication tool. It will serve as a means of orienting investors, training personnel, and briefing suppliers to the business. All of these

Briefly review the four marketing elements (unit 6).

Briefly review financial planning aspects (unit 7).

CONTENT	PROCESS
<p>persons need to find out about your business. A well-prepared business plan will say it for you clearly and concisely.*</p> <p><b>C. What Information Should a Business Plan Include?</b></p> <p>The business plan contains four major parts:</p> <ul style="list-style-type: none"> <li>• Description of the business</li> <li>• Marketing plan</li> <li>• Organization plan</li> <li>• Financial plan</li> </ul> <p><b>D. Developing a Business Plan</b></p> <p>Using the information you have about your particular business, information we have discussed in class, and the various hand-outs and forms, you will spend the rest of this class working on your individual business plans.</p> <p>You are encouraged to confer with each other and individual members of the community advisory committee (or college or university students).</p> <p>These plans will be shared with the entire class in a wrap-up session during the 10th class meeting. Remember that the committee members and your mentors are invited to this session also.</p>	<p>Distribute and discuss HO 8-1: Questions to Be Answered in a Business Plan and HO 8-2: Business Plan Checksheet.</p> <p>Distribute HO 8-3: A Sample Business Plan.</p> <p>Ask participants to develop a simple narrative description of a business plan incorporating the four major parts just discussed. The Mariner's Catch sample and their community survey information should be useful.</p>

\*M. Catherine Ashmore and Sandra G. Pritz, comp., "Developing the Business Plan," Level 2, Research and Development Series no. 240 BB 3, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1983), 3-4

**CONTENT****PROCESS****E. Assignment**

You should continue to work on your business plan. Part of the next class will be spent in answering your questions and handling individual problems.

Continue to work on business plan.

## Questions to Be Answered in a Business Plan

1. **Description of the Business**
  - a. What type of business are you planning?
  - b. What products or services will you sell?
  - c. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?
  - d. Why does it promise to be successful?
  - e. What are the growth opportunities?
  
2. **Marketing Plan**
  - a. Who are your potential customers?
  - b. How will you attract and hold your share of the market?
  - c. Who are your competitors? How are their businesses prospering?
  - d. How will you promote sales?
  - e. Who will be your best suppliers? Why?
  - f. Where will the business be located?
  - g. What factors will influence your choice of location?
  - h. What features will your location have?
  - i. How will your building contribute to your marketing strategy?
  - j. What will your building layout feature?
  
3. **Organization Plan**
  - a. Who will manage the business?
  - b. What qualifications will you look for in a manager?
  - c. How many employees will you need? What will they do?
  - d. What are your plans for employee hiring, salaries and wages, benefits, training, and supervision?
  - e. How will you manage finances?
  - f. How will you manage recordkeeping?
  - g. What consultants or specialists will you need? Why will you need them?
  - h. What legal form of ownership will you choose? Why?
  - i. What licenses and permits will you need?
  - j. What regulations will affect your business?
  
4. **Financial Plan**
  - a. What is your total estimated business income for the first year?  
 Monthly for the first year?  
 Quarterly for the second and third years?
  - b. What will it cost you to open the business and sustain it for eighteen months of operation?
  - c. What will be your monthly cash flow during the first year?
  - d. What will your personal monthly financial needs be?
  - e. What sales volume will you need in order to make a profit during the first three years?
  - f. What will be the break-even point?
  - g. What will be your projected assets, liabilities, and net worth on the day before you expect to open?
  - h. What will the capital value of your equipment be?
    - i. What will your total financial needs be?
    - j. What will your potential funding sources be?
  - k. How will you use the money from lenders or investors?
    - l. How will the loan be secured?

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Developing the Business Plan," Level 2, Research and Development Series no. 240 BB 3, *Program for Acquiring Competence in Entrepreneurship (PACE)*, Revised (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 167

## Business Plan Checklist

Search the sample Business Plan for the answers to the questions. Decide whether the answers are clear and complete. Evaluate the Business Plan as though you were the lending agency.

	Checkmark if answer is included	Answer is clear (Yes or No)	Answer is complete (Yes or No)
<b>1. Description of the Business</b> a. What type of business are you planning? b. What products or services will you sell? c. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)? d. Why does it promise to be successful? e. What are the growth opportunities?			

Comments about the Description of the Business (Discuss strengths or weaknesses from the lender's point of view.)

- |   |  |  |  |
|---|--|--|--|
| <b>2. Marketing Plan</b><br>a. Who are your potential customers?<br>b. How will you attract and hold your share of the market?<br>c. Who are your competitors? How are their businesses prospering?<br>d. How will you promote sales?<br>e. Who will be your best suppliers? Why?<br>f. Where will the business be located?<br>g. What factors will influence your choice of location?<br>h. What features will your location have?<br>i. How will your building contribute to your marketing strategy?<br>j. What will your building layout feature? |  |  |  |
|---|--|--|--|

Comments about the Marketing Plan (Discuss strengths or weaknesses from the lender's point of view.)

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Instructor's Guide," Level 2, Research and Development Series no. 240 BA, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 168-170

**Business Plan Checklist—Continued**

	Checkmark if answer is included	Answer is clear (Yes or No)	Answer is complete (Yes or No)
<b>3. Organization Plan</b> a. Who will manage the business? b. What qualifications will you look for in a manager? c. How many employees will you need? What will they do? d. What are your plans for employee hiring, salaries and wages, benefits, training, and supervision? e. How will you manage finances? f. How will you manage recordkeeping? g. What consultants or specialists will you need? Why will you need them? h. What legal form of ownership will you choose? Why? i. What licenses and permits will you need? j. What regulations will affect your business?			

Comments about the Organization Plan (Discuss strengths or weaknesses from the lender's point of view.)

<b>4. Financial Plan</b> a. What is your total estimated business income for the first year? Monthly for the first year? Quarterly for the second and third years? b. What will it cost you to open the business and sustain it for eighteen months of operation? c. What will your monthly cash flow be during the first year? d. What will your personal monthly financial needs be? e. What sales volume will you need in order to make a profit during the first three years? f. What will be the break-even point? g. What will be your projected assets, liabilities, and net worth on the day before you expect to open?			
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**Business Plan Checklist—Continued**

	Checkmark if answer is included	Answer is clear (Yes or No)	Answer is complete (Yes or No)
<b>4. Financial Plan (Continued)</b>			
h. What will the capital value of your equipment be?			
i. What will your total financial needs be?			
j. What will your potential funding sources be?			
k. How will you use the money from lenders or investors?			
l. How will the loan be secured?			

Comments about the Financial Plan (Discuss strengths or weaknesses from the lender's point of view.)

## A Sample Business Plan

### I. DESCRIPTION OF BUSINESS

**MARINER'S CATCH SEAFOODS, INC.** is a fish market that specializes in selling extremely fresh (no more than one day from the boat) seafood to both retail and wholesale customers. At present, 60 percent of sales are to retail customers. We plan to concentrate more heavily on the wholesale trade (restaurants and grocery chains) in the future. Our experience has shown that even though the markup is lower for wholesale trade, profits are higher due to lower personnel costs and faster turnover of inventory.

The company began business four years ago and is open seven days a week, from 10:00 a.m. to 8:30 p.m. for retail business, and from 6:00 a.m. to 8:30 p.m. for wholesale. The retail demand is seasonal and fluctuates according to weather (our store is located on a tourist route). The wholesale demand is consistent and increasing. We feel that the latter can be improved by more direct selling. Our customers agree. The quality of our seafood is exceptional and, since Mr. Swanson is a former fisherman with many personal friends in the fishing industry, we do not anticipate difficulty maintaining good relations with our suppliers. We have made a policy of paying premium prices in cash at dockside for the best, freshest fish.

### II. MARKETING PLAN

**MARINER'S CATCH SEAFOODS, INC.** will continue to provide premium quality seafoods to both wholesale and retail customers emphasizing the former. Our goal is to provide the freshest seafood at competitive prices to customers within 25 miles of Conway. This market has a total population of over 100,000 people and a potential of 300 wholesale customers. Customers will be attracted by: (1) direct approach to restaurants and market, (2) a local radio and newspaper advertising campaign, (3) word-of-mouth advertising from our current customer base, and (4) our location on a heavily traveled tourist route.

#### Competition

There are three seafood operations directly competing with **MARINER'S CATCH SEAFOODS, INC.**

(1) **Freuhoff's Fish**—scattered operation with one truck making the rounds and a small counter leased from a supermarket in Rockaway Village. We have cut into their sales by making promised deliveries on time at the agreed price. As a result, their operation has become marginal.

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Developing the Business Plan," Level 2, Research and Development Series no. 240 BB 3, *Program for Acquiring Competence in Entrepreneurship (PACE)*, Revised (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 9-26.

### **A Sample Business Plan—Continued**

(2) The Kingfish—clean, three-person operation specializing in cheaper fish. Have trouble with their suppliers because they aren't willing to pay top dockside prices. Otherwise, sell directly to housewives from a fleet of three trucks, some wholesale trade that they hope to expand. Their sales are apparently expanding because they have been serving the same routes for five years and have an excellent reputation. Located in Portsmouth.

(3) Jonah's Seafoods—good relations with suppliers, have most of the supermarket trade, no retail. Currently rebuilding due to fire, but will be our most serious competition when the new store opens. Twenty-five years of experience in the area, good location on scenic bridge over the Inlet two miles south of MARINER'S CATCH on tourist route; plan to open retail store and may be willing to give up part of wholesale since the owner is getting on in years.

The indirect competition is from the major processors in New Hope (45 miles east) and Bristol (60 miles south). Since we fall between their primary market areas, we can purchase from both on a consignment basis.

#### **Location**

MARINER'S CATCH is currently leasing a one-story, wooden frame building with cement floor (22,000 square feet) at 801 Fisherman's Harbor Road, Conway, Rhode Island, for \$175 per month with an option in writing to buy at \$22,000. The area is zoned for commercial use. Fisherman's Harbor Road is part of U.S. Route 1, a heavily traveled tourist route with most businesses nearby catering to the tourist trade.

MARINER'S CATCH has performed major leasehold improvements, including a walk-in freezer and rough-sawn, pine board walls. The building is divided into: (1) sales/counter area (1,200 square feet); (2) cutting area (100 square feet); and (3) other (space for toilet, potential storage and/or sales area, totaling 700 square feet).

### **III. ORGANIZATION PLAN**

#### **Management**

Mr. Swanson was born in Conway and has lived there all his life. After graduating from Conway schools and serving in the U.S. Navy for three years, he became a self-employed fisherman, taking evening courses in small business management and sales at R.I. State, with the ultimate aim of owning and managing a retail store. He also serves as a member of the zoning board for Conway.

### **A Sample Business Plan—Continued**

Ms. Switzer was born in Milwaukee, Wisconsin, in 1950, attended schools in Utah, Alaska, and Florida, and served four years in the Marines (rank upon separation, E-3). She test-drove motorcycles for a year, then served as Parts Manager for Moped Cycles, Inc., before joining the CASH & HAUL FOODSTUFF, INC., as a packer in March 1973 in their Kennebunkport, Maine plant. In June, 19— she resigned as line foreman of the Frozen Food Filleting Department to join Swanson in the MARINER'S CATCH operation. She lives in Inlet Bay.

Both are healthy and energetic; they believe their abilities complement each other and will permit them to make MARINER'S CATCH a success. In particular, Swanson knows all of the fishermen while Switzer has had experience in cost control and line management. He will be responsible for the store and inventory control. Switzer will be primarily responsible for the development of the wholesale business and, with Swanson, will set policy. Personnel decisions will be made jointly.

Salaries will be \$215 a month for the first year to enable the business to pay off startup costs. (Swanson's wife earns enough to support his family; Switzer's personal expenditures are very low, since she shares a house with five other adults.) In the second year the managers will earn \$600 a month; in the third year \$660 a month, with any profit returned to the business.

In order to augment their skills, Switzer and Swanson have enlisted the help of Edward Allen, a CPA, and of James Woodall, Attorney. Other potential resources have been located, including the Conway Business Information Center (Andrew Beale), Rhode Island State's Venture Incubator Division, the Small Business Association of New England, and the Fish Retailers Organization for Growth (FROG). Marshall Campbell, a retired Conway banker, has agreed to serve on the MARINER'S CATCH board and will provide ongoing management review. Other members of the board are Allen, Woodall, Switzer, and Swanson.

#### **Personnel**

MARINER'S CATCH will hire one part-time salesperson within six months. The salesperson's duties will be selling seafoods over the counter to the retail customers. He or she will be paid the minimum wage (\$3.70) for weekend work; no fringe benefits or overtime are anticipated. They will also employ, on an as-needed basis, one cutter at \$3.75/hour to help prepare seafood for the wholesale trade.

## A Sample Business Plan—Continued

### Switzer's Experience

March 19-- - June 19--: Two years as line foreman, CASH & HAUL FOODSTUFF, INC., Kennebunkport, Maine. Responsible for hiring, training and directing operations of 15 persons in Frozen Fish Filleting department. Rescheduled work flow with resultant 30 percent increase in output per worker. Implemented new purchasing system that reduced spoilage by 8 percent. Reduced personnel turnovers by working with local union for revision of company contract policy, and by shifting from production line to team task approach. Received CASH & HAUL FOODSTUFF, INC., award for line management and was given special assignment to explain these changes to other line foremen at all 22 company plants in New England and the Middle Atlantic states.

### Swanson's Experience

Frank Swanson is a former fisherman in the area with many personal friends in the fishing industry and good relationships with seafood industry suppliers. He is a native of Conway and has lived here all his life—except for three years in the U.S. Navy after high school graduation. He supported himself for several years as a self-employed fisherman while he took evening classes in retail store management and small business management. He is healthy, energetic, and well-liked. He will be responsible for store management, company policy, and inventory control.

#### IV. FINANCIAL PLAN

##### Application and Expected Effect of Loan

The 36,000 will be used as follows:

Purchase of 801 Fisherman's Harbor Road property	\$22,000
Equipment:	
• '71, Ford pickup with insulated body	1,885
• Dayton compressor (used, serial no. 45-cah-390)	115
• Sharp Slicer (used, Speedy model)	200
Renovations	4,000
Working capital	4,000
Inventory	500
Reserve (not disbursed)	3,300
<b>TOTAL</b>	<b>\$36,000</b>

### **A Sample Business Plan—Continued**

MARINER'S CATCH SEAFOODS, INC., can purchase the 801 Fisherman's Harbor Road property at a substantial savings under terms of the lease/purchase agreement signed July, 19-- . An independent appraiser has calculated the value of the property, including leasehold improvements by MARINER'S CATCH, at \$30,000. The monthly payment for a 12-year mortgage will be \$250 a month, a net increase of \$75 a month over the current rent. See FINANCIAL DATA for the effect on the business.

The truck will be used to deliver merchandise to wholesale customers, retard spoilage, and maintain the quality of our merchandise.

The compressor will replace the compressor now used for the refrigeration unit and should lower electric costs.

The slicer will eliminate four person-hours of work daily. The time released will be used for soliciting more business and processing a greater volume of whole fish. With the slicer, relatively untrained help can fillet flounder with minimal waste.

The renovations are: a deep well (water) required by the state; a toilet and wash sink separate from the work area; and replacement of the current obsolete heating system, thus reducing fuel expenses.

The working capital will enable MARINER'S CATCH to meet current expenses, offset negative (seasonal) cash flow as shown in the Working Capital Analysis in FINANCIAL DATA, and insure the continued growth of the business.

The inventory is to take advantage of bulk rates on certain fresh frozen packaged goods (baitfish, South African lobster tails).

The reserve will be held by the bank as a line of credit to be used to take advantage of special opportunities or to meet emergencies.

### **Summary**

MARINER'S CATCH SEAFOODS, INC., can purchase the 801 Fisherman's Harbor Road property at a substantial savings under terms of the lease/purchase agreement signed July, 19-- . An independent appraiser has calculated the value of the property, including leasehold improvements by MARINER'S CATCH, at \$30,000. The monthly payment for a 12-year mortgage will be \$250 a month, a net increase of \$75 a month over the current rent. See FINANCIAL DATA for the effect on the business.

### **A Sample Business Plan—Continued**

Careful analysis of the potential market shows an unfilled demand for exceptionally fresh seafood. Switzer's local reputation will help secure a sizeable portion of the wholesale market, while Swanson's managerial experience assures that the entire operation will be carefully controlled. In addition to a working board, Switzer's studies at Rhode Island State will provide even more control over the projected growth of MARINER'S CATCH.

The funds sought will result in a greater increase in fixed assets than may be shown, as Switzer will be performing much of the renovation and improvements. The additional reserve and working capital will enable MARINER'S CATCH to increase their sales substantially while maintaining profit.

**A Sample Business Plan—Continued**

FINANCIAL DATA

MARINER'S CATCH SEAFOODS, INC.

Sources and Applications of Financing

Sources

Bank Loans:

1. Mortgage loan	\$22,000	
2. Term loan	10,700	
3. Reserved loan	<u>3,300</u>	
Total		<u>\$36,000</u>

Applications

Purchase building	\$22,000	
Equipment	2,200	
Renovations	4,000	
Inventory	500	
Working capital	4,000	
Reserve for contingencies	<u>3,300</u>	
Total		<u>\$36,000</u>

To be secured  
by  
Assets of the Business  
Signatures of the Principals  
Marian Switzer  
Frank Swanson  
  
SBA Guarantee

## A Sample Business Plan—Continued

MARINER'S CATCH SEAFOODS, INC.  
CAPITAL EQUIPMENT LIST

<u>Major Equipment and Normal Accessories</u>	<u>Model</u>	<u>Cost or List Price (Lower)</u>
Storequip, Inc., display case, glass front refrigerated	Handmade	\$ 200
Storequip, Inc., display case, glass front, ice	SST6-77K	400
Dayton air compressor	#45-cah-990	115
Bendix standing freezer	3979-7584	125
Nameless, Inc., standard freezer	-	50
Cleaning table, fibreglassed	Handmade	200
Freezing locker & compressor	Handmade	<u>3,000</u>
	TOTAL:	<u>\$4,290</u>
 <u>Minor Shop Equipment</u>		
Miscellaneous knives, scalers, etc.	-	\$ 75
Miscellaneous display trays, storage boxes	-	<u>50</u>
	TOTAL:	\$ 125
 <u>Other Equipment</u>		
Pickup truck with insulated body	1971 Ford, Lo-bed	\$1,885
Safe	1879 Mosler	100
Cash register	1869 NCR	50
Calculator	TI-120	65
Light fixture	Custom design	<u>100</u>
	TOTAL:	<u>\$2,200</u>
	<b>CAPITAL EQUIPMENT</b>	<b>TOTAL: <u>\$6,615</u></b>

## A Sample Business Plan—Continued

## MARINER'S CATCH SEAFOODS, INC.

## BEGINNING BALANCE SHEET

October 15, 19\_\_

<u>Current Assets</u>		<u>Current Liabilities</u>	
Cash	\$ 530	Accounts payable	\$ 2,077
Accounts receivable (net)	100	Current portion LTD	1,440
Merchandise inventory	700	<b>Total Current Liabilities</b>	<b>\$ 3,517</b>
Supplies	175		
Prepaid expenses	80	<u>Long-Term Liabilities</u>	
<b>Total Current Assets</b>	<b>\$ 1,585</b>	Notes payable (a)	\$ 535
		Bank loan payable (b)	1,360
<u>Fixed Assets</u>		Equity loan payable (c)	1,250
Fixtures & leasehold improvements	\$ 3,750	<b>Total Long-term Liabilities</b>	<b>\$ 3,145</b>
Building (freezer)	3,000	<b>Total Liabilities</b>	<b>\$ 6,662</b>
Equipment	1,100	<b>Net Worth: Owner Equity</b>	<b>\$ 5,273</b>
Trucks	2,500		
<b>Total Fixed Assets</b>	<b>\$10,350</b>	<b>TOTAL LIABILITIES AND NET WORTH:</b>	<b>\$11,935</b>
<b>TOTAL ASSETS</b>	<b>\$11,935</b>		

<u>Accounts payable:</u>	Cleaver's, Inc.	\$1,700
	Dosser's	119
	Paxton	180
	Conway Reefer	78
		<u>\$2,077</u>

- (a) Dave N. Hall for electrical work  
 (b) Term loan secured by '64 Jeep, '71 Ford  
 (c) S & C Greer Finance Corp. Belmont, N.H.

## A Sample Business Plan—Continued

ANNUAL PROJECTED  
INCOME STATEMENT

MARINER'S CATCH SEAFOODS, INC.

Three-Year Summary

	<u>Year I</u>	<u>Year II</u>	<u>Year III</u>
<u>Sales</u>			
Wholesale	\$27,400	\$ 68,800	\$ 84,000
Retail	40,400	91,000	91,000
<u>Total: Sales</u>	67,800	159,800	175,000
Cost of material	52,884	124,625	136,550
Variable labor cost	900	3,250	5,200
<u>Cost of goods sold</u>	53,784	127,875	141,750
<u>Gross margin</u>	14,016	31,925	33,250
<u>Operating Expenses</u>			
Utilities	1,200	1,680	1,920
Salaries	5,160	14,400	16,000
Payroll taxes and benefits	480	1,360	1,360
Advertising	480	720	720
Office supplies	120	180	180
Insurance	600	600	600
Maintenance & cleaning	240	300	300
Legal & accounting	500	740	740
Delivery expense	1,320	1,802	1,764
Licenses	60	60	60
Boxes, paper, etc.	120	240	240
Telephone	600	720	720
Depreciation	480	480	840
Miscellaneous	275	400	400
<u>Total: Operating expenses</u>	11,640	23,682	25,404
<u>Other: Expenses</u>			
Interest (mortgage) 9.75%	2,160	2,160	2,160
Interest (loan) 10.75%	900	900	900
<u>Total: Other expenses</u>	3,060	3,060	3,060
<u>Total: All expenses</u>	14,700	26,742	28,500
<u>Net profit (loss) before taxes</u>	(684)	5,183	4,750

## MONTHLY CASH FLOW PROJECTION

MARINER'S CATCH SEAFOODS, INC.  
October 19\_\_ to September 19\_\_

	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Total
<b>Cash Receipts</b>													
Income from sales													
Wholesale	1,000	1,200	1,400	1,600	1,800	2,200	2,400	2,800	3,100	3,100	3,300	3,500	27,400
Retail	3,000	3,100	3,100	2,900	2,700	2,800	3,300	3,700	3,900	3,900	4,000	4,000	40,400
<b>Total: Cash receipts</b>	<b>4,000</b>	<b>4,300</b>	<b>4,500</b>	<b>4,500</b>	<b>4,500</b>	<b>5,000</b>	<b>5,700</b>	<b>6,500</b>	<b>7,000</b>	<b>7,000</b>	<b>7,300</b>	<b>7,500</b>	<b>67,800</b>
<b>Cash disbursements</b>													
Cost of goods	3,120	3,354	3,510	3,510	3,510	3,900	4,446	5,070	5,460	5,460	5,694	5,850	52,884
Variable labor								200	200	200	200	100	900
Advertising	100	25	25	25	25	40	40	40	40	40	40	40	480
Insurance			150			150			150			150	600
Legal & accounting		125			125			125			125		500
Delivery expense	80	85	90	95	100	110	110	120	130	130	135	135	1,320
<b>Fixed cash disbursements</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>688</b>	<b>8,256</b>
Loan #1	145	145	145	145	145	145	145	145	145	145	145	145	1,740
Mortgage	250	250	250	250	250	250	250	250	250	250	250	250	3,000
<b>Total cash disbursements</b>	<b>4,383</b>	<b>4,672</b>	<b>4,858</b>	<b>4,713</b>	<b>4,843</b>	<b>5,283</b>	<b>5,679</b>	<b>6,638</b>	<b>7,063</b>	<b>6,913</b>	<b>7,277</b>	<b>7,358</b>	<b>69,680</b>
<b>Net cash flow</b>	<b>(383)</b>	<b>(372)</b>	<b>(358)</b>	<b>(213)</b>	<b>(343)</b>	<b>(283)</b>	<b>21</b>	<b>(138)</b>	<b>(63)</b>	<b>87</b>	<b>23</b>	<b>142</b>	<b>(1,880)</b>
<b>Cumulative cash flow</b>	<b>(383)</b>	<b>(755)</b>	<b>(1,113)</b>	<b>(1,326)</b>	<b>(1,669)</b>	<b>(1,952)</b>	<b>(1,931)</b>	<b>(2,069)</b>	<b>(2,132)</b>	<b>(2,045)</b>	<b>(2,022)</b>	<b>(1,880)</b>	
<b>Fixed cash disbursements</b>													
Utilities	100												
Salaries	430												
Payroll taxes & benefits	40												
Office supplies	10												
Maintenance & cleaning	20												
Licenses	5												
Boxes, paper, etc.	10												
Telephone	50												
Miscellaneous	23												
	<b>\$688</b>												
<b>Cash on hand: Loan proc.</b>	<b>4,000</b>												
Cash	535												
<b>Opening Balance</b>	<b>4,535</b>	<b>4,152</b>	<b>3,780</b>	<b>3,422</b>	<b>3,209</b>	<b>2,866</b>	<b>2,583</b>	<b>2,604</b>	<b>2,466</b>	<b>2,403</b>	<b>2,490</b>	<b>2,513</b>	
<b>+ Cash receipts</b>	<b>4,000</b>	<b>4,300</b>	<b>4,500</b>	<b>4,500</b>	<b>4,500</b>	<b>5,000</b>	<b>5,700</b>	<b>6,500</b>	<b>7,000</b>	<b>7,000</b>	<b>7,300</b>	<b>7,500</b>	
<b>Total new balance</b>	<b>4,152</b>	<b>3,780</b>	<b>3,422</b>	<b>3,209</b>	<b>2,866</b>	<b>2,583</b>	<b>2,604</b>	<b>2,466</b>	<b>2,403</b>	<b>2,490</b>	<b>2,513</b>	<b>2,655</b>	

A Sample Business Plan—Continued

HO 8-3

## QUARTERLY CASH FLOW PROJECTION

MARINER'S CATCH SEAFOODS, INC.  
Quarterly for Years 2 and 3

	1st QTR Year 2 (Dec)	2nd QTR Year 2 (Mar)	3rd QTR Year 2 (Jun)	4th QTR Year 2 (Sept)	TOTAL Year 2	1st QTR Year 3 (Dec)	2nd QTR Year 3 (Mar)	3rd QTR Year 3 (Jun)	4th QTR Year 3 (Sept)	TOTAL Year 3
<b>Cash receipts</b>										
Income from sales										
Wholesale	14,800	16,000	18,000	20,000	68,000	18,000	20,000	22,000	24,000	84,000
Retail	21,000	21,000	22,000	27,000	91,000	21,000	21,000	22,000	27,000	91,000
<b>Total: Cash receipts</b>	<b>35,800</b>	<b>37,000</b>	<b>40,000</b>	<b>47,000</b>	<b>159,800</b>	<b>39,000</b>	<b>41,000</b>	<b>44,000</b>	<b>51,000</b>	<b>175,000</b>
<b>Cash disbursements</b>										
Cost of goods	27,925	28,850	31,200	36,650	124,625	30,450	32,000	34,300	39,800	136,550
Variable labor	750	750	750	1,000	3,250	1,000	1,200	1,500	1,500	5,200
Advertising	180	180	180	180	720	180	180	180	180	720
Insurance	150	150	150	150	600	150	150	150	150	600
Legal & accounting	185	185	185	185	740	185	185	185	185	740
Delivery expense (1)	387	420	471	524	1,802	378	420	462	504	1,764
Fixed cash disbursements	4,772	4,805	4,856	4,909	19,342	5,263	5,305	5,347	5,389	21,304
Loan #1	435	435	435	435	1,740	435	435	435	435	1,740
Mortgage	750	750	750	750	3,000	750	750	750	750	3,000
<b>Total cash disbursements</b>	<b>35,660</b>	<b>36,585</b>	<b>38,935</b>	<b>44,635</b>	<b>155,815</b>	<b>38,935</b>	<b>40,685</b>	<b>43,285</b>	<b>48,785</b>	<b>171,690</b>
<b>Net cash flow</b>	<b>140</b>	<b>415</b>	<b>1,065</b>	<b>2,365</b>		<b>65</b>	<b>315</b>	<b>715</b>	<b>2,215</b>	<b>3,310</b>
<b>Cumulative cash flow</b>		<b>555</b>	<b>1,620</b>	<b>3,985</b>		<b>4,050</b>	<b>4,365</b>	<b>5,080</b>	<b>7,295</b>	
<b>Fixed cash disbursements</b>		<b>Year 2</b>				<b>Year 3</b>				
Utilities		140				160				
Salaries		1,200				1,333.33				
Payroll Taxes & Benefits		113.33				126.50				
Office supplies		15				15				
Maintenance & Cleaning		25				25				
Licenses		5				5				
Boxes, paper, etc.		20				20				
Telephone		60				60				
Miscellaneous		33.33				33.33				
<b>Fixed cash disbursements</b>		<b>4,835</b>				<b>5,335</b>				
(Quarterly average)										

(1) Year 2 delivery expenses computed at 2.62 percent of wholesale sales  
Year 3 delivery expenses computed at 2.10 percent of wholesale sales

Note: As the wholesale business increases, it is anticipated that route efficiency will also increase, causing delivery expenses to decrease

A Sample Business Plan—Continued

HO-8-3

## A Sample Business Plan—Continued

### BREAK-EVEN ANALYSIS

The proprietors of MARINER'S CATCH utilized the following formula:

- Fixed Costs (FC) = \$1,225 per month
- Variable Costs (VC) = 80% of gross sales (from experience)
- Gross Margin (GM) = 20% of sales (100% - 80% = 20%) 20% = .20

Thus: Sales (S) = FC ÷ GM

$$S = \$1,225 \div .20$$

$$S = \$6,125 \text{ per month}$$

The figure \$6,125 represents the level of sales needed to break even each month. By cutting costs (by reducing salaries by \$125) fixed costs can be recalculated at \$1,100 and the break-even point recalculated at \$5,500:

$$S = 1,100 \div .20$$

$$S = 5,500 \text{ per month}$$

To calculate how many units we need to sell each month, the break-even sales level of \$5,500 can be divided by the average unit selling price of \$3 to arrive at 1,833 unit sales ( $\$5,500 \div \$3 = 1,833$ ). Furthermore, if we estimate that a customer purchases two units a week and assume an average of 4.3 weeks per month, the number of customers needed each month to break even is 213 ( $1,833 \div (4.3 \times 2) = 213$ ). If this seems a reasonable number of customers, then the break-even figure of \$5,500 may be considered reasonable.

Checking these estimates against the Monthly Projected Income Statement, MARINER'S CATCH can expect to reach the break-even point in April at the conservative estimate or in May at the first estimate.

## **THE BUSINESS PLAN**

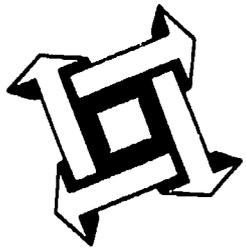
**A BUSINESS PLAN LEADS TO A SOUND BUSINESS STRUCTURE.**

**A BUSINESS PLAN PRODUCES A MARKETING PLAN.**

**A BUSINESS PLAN CLARIFIES FINANCIAL NEEDS.**

**A BUSINESS PLAN IDENTIFIES MANAGEMENT PATHWAYS.**

**A BUSINESS PLAN SERVES AS A COMMUNICATION TOOL.**



# **Using Resources Available for Small Business Owners**

## UNIT 9

### USING RESOURCES AVAILABLE FOR SMALL BUSINESS OWNERS

**Title:**

**Purpose:**

The purpose of this unit is to identify and describe resources for small business owners.

**Objectives:**

Upon completion of this unit, participants will—

- have identified small business resources and
- have ideas about securing needed technical assistance.

**Materials:**

Handout 9-1: Technical Assistance Assessment  
Handout 9-2: Monthly Calendar for Technical Assistance Interviews  
Handout 9-3: Resources Available for Small Business Owners  
Handout 9-4: Are You Ready to Become an Entrepreneur?  
Handout 9-5: Personal Plan of Action

Transparency 9-1: Resources Available for Small Business Owners

**Product:**

Technical Assistance Assessment

**Assignment:**

Complete the Technical Assistance Assessment and Personal Plan of Action.

Prepare for business plan presentation.

Invite mentor to wrap-up session.

**Notes to  
Instructor:**

Utilize a panel of three to four persons to talk about resources available for the entrepreneur (see unit content-process outline for sample topics and questions). Panelists could include the following:

- Certified public accountant
- Lawyer
- Minority Business Development Agency (MBDA) representative
- Service Corps of Retired Executives (SCORE) representative
- Local small business administration representative

- College or university representative
- Others.

<b>Estimated Time:</b>	Questions about business plan	20 minutes
	Discussion of resources	70 minutes
	Break	10 minutes
	Panel	60 minutes
	Assignment	20 minutes

## CONTENT

## PROCESS

**A. Questions and Answers about Business Plan****B. Identifying Resources Available for Entrepreneurs**

Efforts to promote small business interests are taking place at the Federal, State, and local levels. As these efforts accelerate, there are more resources available to aid the entrepreneur. These resources include the following:

- Print and electronic communications
- Seminars and workshops
- Individual counseling, financial, and management assistance
- Lobbying services for entrepreneurs
- Secondary and postsecondary courses for the small business owner

Recent attempts to establish entrepreneurship education and resource networks are still in developmental stages; however, there are some nationwide small business resources that are available at the Federal, State, and local levels.

In unit 3, you started the Community Resource and Technical Assistance File. In this unit, additional resources will be identified that you will want to add to your file.

Use HO 9-1 to list those responsibilities or tasks that you might be doing for which you need technical assistance. As resources are discussed and you hear one that might serve your need, list them on your sheet—to be contacted at a later date.

Later, you may want to add the person or agency to your resource file.

Allow participants to ask questions concerning their business plans. If questions are extensive, plan to work with participants on an individual basis later.

Use HO 9-1 as a self-check activity in class.



**Technical Assistance Assessment**

<b>Responsibility/ Task</b>	<b>Technical Assistance Needed</b>	<b>Agency/Person to Be Contacted for Assistance</b>	<b>Help to Be Requested</b>

# Monthly Calendar for Technical Assistance Interviews

(Company Name)

Jan	Feb	Mar	April
May	June	July	Aug
Sept	Oct	Nov	Dec

18:

HO 9-2

## Resources Available for Small Business Owners

### Federal Government Agencies

#### 1. U.S. Department of Commerce

- **The Interagency Council for Minority Business Enterprise** is an alliance of Federal programs and activities supporting minority enterprise development. The council is chaired by the Secretary of Commerce and the vice-chair is the administrator of the Small Business Administration. Executive-level assistance is available.

**Contact:** Interagency Council for Minority Business Enterprise  
 Minority Business Development Agency  
 U.S. Department of Commerce  
 14th Street and Constitution Avenue, NW  
 Washington, D.C. 20230  
 (202) 377-5061

- **The Minority Business Development Agency (MBDA)** is the government agency created to develop programs to assist minority entrepreneurs. MBDA awards grants and cooperative agreements to State and local government agencies, profit and nonprofit business development organizations, and trade associations to provide management, marketing, financial, and technical assistance to minority entrepreneurs. MBDA has the following programs:
  - **Minority Business Development Centers (MBDC)** are located across the country in areas with the largest minority populations. They provide management, marketing, and technical assistance to increase business opportunities for minority entrepreneurs.
  - **The Acquisition Assistance Program** provides technical support services to minority buyers of medium- and large-sized manufacturing firms or high-technology industry such as energy, telecommunications, and medical instrumentation. Assistance is available at all stages of analysis and negotiation in business acquisition opportunities.
  - **The American Indian Program** is designed to provide American Indians, Eskimos, Aleuts, and their tribal governments with business management and technical assistance. Consultants are provided via grants or cooperative agreements. Economic self-determination for individual and tribal business is the program's goal.
  - **The Minority Bank Development Program** provides the following assistance to minority-owned banks: intensive assistance to executive officers and top-level management, market development through the solicitation of deposits and loans from governmental units and the private sector, and creation of a capital support program.
  - **The Minority Business and Trade Association Program** provides information and technical services to members and to the minority business community. Services include: cooperative advertising and group benefits, business promotion and technical services, negotiation of trade discounts, and liaison with Federal, State, and local activities intended to improve the viability of members in respective industries.

## Resources Available for Small Business Owners—Continued

—Minority Export Development Consultants provide minority business with exposure to international marketing networks, market information, and products and service delivery assistance. Services include: identity of potential markets and specific trade leads, technical assistance to complete international transactions, and coordination of public agencies to increase participation by minority businesses.

Contact: MBDC Regional Offices (see attachment A)

- **The National Minority Supplier Development Council (NMSDC)** conducts a National marketing program to attract private sector business opportunities for minority business persons and to increase corporate procurement from minorities.

Contact: MBDC Regional Offices (see attachment A)

### 2. U.S. Small Business Administration (SBA)

- **The Office of Minority Small Business and Capital Ownership Development** formulates and coordinates policies benefiting eligible minority small businesses. It provides direct assistance to minority business as well as works with other agencies, banks, and industry to increase the number of minority-owned businesses and improve their chances of success.

Contact: SBA Regional Offices (see attachment B)

- **The Small Business Investment Companies** specialize in providing equity funds, long-term loans, and management assistance to small businesses owned by socially and economically disadvantaged individuals.

Contact: SBA Regional Offices (see attachment B)

- **The Office of Procurement and Technology Assistance** provides small and disadvantaged businesses with the maximum opportunity to participate in Federal contracts.

Contact: SBA Regional Offices (see attachment B)

- **The Presidential Advisory Committee on Small and Minority Business Ownership** assists in monitoring and encouraging the placement of subcontracts by the private sector with eligible small and minority businesses. It studies and proposes incentives and assistance needed by the private sector to train, develop, and upgrade such businesses. Membership is presidentially appointed from executive officers of five small businesses and five representatives of minority small businesses.

Contact: SBA Regional Offices (see attachment B)

## Resources Available for Small Business Owners—Continued

- **The Service Corps of Retired Executives (SCORE)** is a volunteer group of retired men and women who provide free management counseling. Counselors possess the kinds of managerial, professional, and technical experience useful to owners and managers of small retail, wholesale, service, or manufacturing businesses.

Contact: SBA Regional Offices (see attachment B)

or

National SCORE Office  
1441 L Street, NW  
Washington, D.C. 20416  
(phone number not available)

- **The Active Corps of Executives (ACE)** is a volunteer group of executives from private business and industry who provide free counseling on managerial, professional, and technical topics to small business owners and managers.

Contact: SBA Regional Offices (see attachment B)

- **The Small Business Institute (SBI) Program** utilizes university and college business majors as counselors to small business. Students work as a team under the guidance of a professor to meet with and counsel small business owners and managers. There is no charge for the service.

Contact: SBA Regional Offices (see attachment B; for local programs see attachment C)

- **Small Business Development Centers (SBDC)**, through universities and community colleges, work with local trade and business groups, chambers of commerce, SCORE and ACE, and others in support of small business growth. Specifically, the centers provide management and technical assistance to small business owners.

Contact: SBDC Regional Offices (see attachment D)

- **The Interagency Committee on Women's Business Enterprise** is composed of high-level Federal officials who have responsibility for Federal policies affecting women business owners. The long-range objectives of this committee are to ensure equitable opportunities for and improved government services to women business owners.

Contact: SBA Regional Offices (see attachment B)

3. **The National Science Foundation (NSF)**, through Innovation Centers and the Small Business Assistance Program, provides information and guidance to research technology-based, small, minority, and women-owned firms.

## Resources Available for Small Business Owners—Continued

Contact: Office of Small Business Research & Development National Science Foundation  
1800 G Street, NW  
Room 511-A  
Washington, D.C. 20006  
(202) 357-7464

4. **The Council of State Community Affairs Agencies (COSCAA)** is a National organization representing State executive-level agencies responsible for a variety of local assistance functions in community development, housing, economic development, and planning and management assistance.

Contact: Council of State Community Affairs Agencies  
444 North Capitol Street  
Washington, D.C. 20001  
(202) 393-6435

### Local and State Agencies

1. The State departments of vocational education, through area vocational and technical schools, serve students at the high school level and offer entrepreneurship training ranging from a fully developed, multiservice program to a single unit within a skills course such as welding or electronics.

Contact: Local State Departments of Vocational Education in each State

2. Chambers of Commerce are associations of business people that promote the interests of its members and of business in general. Chambers of Commerce work to bring new industries into their communities. These organizations also furnish information about their communities that may help those planning to move into the area.

Contact: Local Chamber of Commerce

### Venture Companies

1. The American Indian National Bank provides banking service to small businesses. Stockholders invest in making resources available to Indian tribes, organizations, and individuals for various Indian enterprises. Offices are located in Washington, D.C., and Albuquerque, New Mexico.

## Resources Available for Small Business Owners—Continued

Contact: American Indian National Bank  
1701 Pennsylvania Avenue  
Washington, D.C. 20006  
(202) 965-4460

or

American Indian National Bank  
2401 12th Street, NW  
Albuquerque, NM 87102  
(505) 842-1395

### Private Sector and Special Interest Groups

1. The Charles Stewart Mott Foundation, using the processes of education, social welfare, and environmental development, funds programs aimed at improving the quality of life seeks to involve everyone in the determination of their lives and the life of the community through self-improvement.

Contact: Charles Stewart Mott Foundation  
Mott Foundation Building  
Flint, MI 48502  
(313) 238-5651

2. The National Coalition of Hispanic Mental Health and Human Services is a model demonstration project mobilizing public and private resources in Washington, D.C., and San Antonio, Texas, to provide youth with business career information and motivation.

Contact: National Coalition of Hispanic Mental Health and Human Services  
1015-15th Street, NW  
Washington, D.C. 20005  
(202) 638-0505

3. The National Commission on Resources for Youth (NCRY) is an independent, nonprofit organization that expands opportunities for young people to participate in society. Through a National information-sharing network, NCRY seeks out, encourages, and promotes programs that recognize the capabilities and the developmental needs of young people. NCRY publications deal with entrepreneurship and youth business.

Contact: NCRY  
36 West 44th Street  
Room 1314  
New York, NY 10036  
(phone number not available)

### Resources Available for Small Business Owners—Continued

4. The National Minority Business Council (NMBC), through advocacy for minority business, addresses the questions of education, procurement, training, and the treatment of minority enterprises. Services include: a quarterly publication, a legal service program, two seminars each year in continuing management education, and other seminars. NMBC also publishes a National Minority Business Directory.

Contact: National Minority Business Council, Inc.  
235 East 42d Street  
New York, NY 10017  
(212) 573-2387

5. The United Indian Development Association (UIDA) is a nonprofit corporation founded and directed by American Indians. It provides management services and technical assistance to individual business owners, tribal enterprises, development corporations, and community service centers. Managers are trained to use tools and techniques within the Indian cultural value system and with an appreciation of problems unique to American Indians.

Contact: UIDA  
1541 Wilshire Boulevard  
Suite 307  
Los Angeles, CA 90017  
(213) 483-1460

or

UIDA  
411 J Street  
Suite 7  
Eureka, CA 95501  
(707) 445-8488

or

UIDA  
365 West Second Avenue  
Suite 204  
Escondido, CA 92025  
(619) 746-7356

6. The Women's Institute for Housing and Economic Development (WIHED) was established to enable economic self-sufficiency and self-determination for women heads of household by facilitating the initiation of housing and businesses through partnerships between community-based organizations and established corporations. It provides information, contacts, and model development while stimulating long-term, ventures for low-income women that will move them from social dependency to economic self-sufficiency.

## Resources Available for Small Business Owners—Continued

Contact: WIHED  
17 Union Avenue  
Boston, MA 02130  
(phone number not available)

or

WIHED  
22 Anthony Street  
Newport, RI 02840  
(phone number not available)

### Colleges, Universities, and Entrepreneurship Centers

1. The Vocational Studies Center has developed training materials entitled *Steps to Starting a Small Business* as well as offers a self-help program called *Achieving Success in Small Business: A Competency-Based Educational Program for Persons Interested in Small Business Ownership*.

Contact: The Vocational Studies Center  
University of Wisconsin-Madison  
964 Educational Sciences Building  
1025 West Johnson Street  
Madison, WI 53706  
(608) 263-4357

2. The Center for Private Enterprise and Entrepreneurship has a threefold purpose: (1) to preserve the competitive private enterprise system in America, (2) to promote the entrepreneurial spirit, and (3) to increase understanding concerning the benefits of the private enterprise system. The 10 major aspects of the program are: teacher education programs, private enterprise research, precollege student programs, public education programs, employee economic education, entrepreneurship education, venture capital foundation, innovation evaluation program, entrepreneurial research, and venture assistance program.

Contact: Center for Private Enterprise and Entrepreneurship  
Hankamer School of Business  
Baylor University  
Waco, TX 76798  
(817) 755-3766

3. The Center for Entrepreneurship and Small Business Management has the following priorities: (1) an academic program in entrepreneurship and small business management, (2) creation and endowment of a professional chair, (3) an information bank and library, (4) research and

**Resources Available for Small Business Owners—Continued**

publication, (5) special interest seminars, (6) films for elementary school students, and (7) a prime-time television program for major network exposure.

**Contact:** Center for Entrepreneurship and Small Business Management  
130 Clinton Hall  
Wichita State University  
Wichita, KS 67208  
(316) 689-3000

4. The Entrepreneurship Institute is an independent, nonprofit organization that works to bring together a consortium of individuals within a community for the purpose of creating innovative, high-growth companies.

**Contact:** The Entrepreneurship Institute  
3592 Corporate Drive  
Suite 100  
Columbus, OH 43229  
(614) 895-1153

5. Hawaii Entrepreneurship Training and Development Institute (HETADI) is a nonprofit, educational, scientific corporation that promotes entrepreneurship development by training entrepreneurs and creating more business opportunities.

**Contact:** HETADI  
Suite 1409  
Centure Center  
1750 Kalakaua Avenue  
Honolulu, HI 96826  
(808) 955-8655

## Attachment A

## MINORITY BUSINESS DEVELOPMENT CENTERS REGIONAL OFFICES (MBDC)

## ALABAMA

Birmingham MBDC  
White and Company  
15 North 21st Street  
Steiner Building  
Birmingham, AL 35201  
(202) 252-3682

Mobile MBDC  
White and Company  
951 Government Street  
Suite 406  
Mobile, AL 36604  
(205) 433-4860

Montgomery MBDC  
White and Company  
3080 Birmingham Highway  
Montgomery, AL 36108  
(205) 263-8818

## ARIZONA

Navajo MBDC  
102 Chapter House Road  
Fort Defiance, AZ 86504  
(602) 729-5763

Phoenix MBDC  
Price Waterhouse  
3300 North Central Avenue  
Suite 2200  
Phoenix, AZ 85012  
(602) 254-2014

Tucson MBDC  
Price Waterhouse  
33 North Stone Avenue  
Suite 850  
Tucson, AZ 85701  
(602) 622-5700

## CALIFORNIA

Anaheim MBDC  
BDC of South California  
2700 North Main Street  
Suite 810  
Santa Ana, CA 92701  
(714) 667-8200

Bakersfield MBDC  
615 California Avenue  
Suite 27  
Bakersfield, CA 93304  
(805) 322-1527

Fresno MBDC  
NEDA  
2010 North Fine Street  
Suite 101  
Fresno, CA 93727  
(209) 252-7551

Los Angeles MBDC  
Cardinal Management  
Associates, Inc.  
2404 Wilshire Boulevard  
Suite 1300  
Los Angeles, CA 90057  
(213) 385-1335

Southern California MBDC  
2651 South Western Avenue  
Suite 300  
Los Angeles, CA 90018  
(213) 731-2131

Los Angeles MBDC  
United Indian Development  
Association  
1541 Wilshire Boulevard  
Suite 418  
Los Angeles, CA 90027  
(213) 483-1460

Escondido MBDC  
365 West 2d Avenue  
Suite 204  
Escondido, CA 92025  
(714) 746-7356

Eureka MBDC  
411 J Street Number 7  
Eureka, CA 95501  
(707) 445-8488

Oxnard MBDC  
Cardinal Management  
Association, Inc.  
515 C Street  
Oxnard, CA 93030  
(805) 486-4701

Riverside MBDC  
Operation Second Chance, Inc.  
341 West 2d Street  
Suite 1  
San Bernardino, CA 92401  
(714) 844-8764

Sacramento MBDC  
Price Waterhouse  
455 Capital Mall, Suite 500  
Sacramento, CA 95814  
(916) 441-2370

Salinas MBDC  
R.M.C. Group, Inc.  
137 Central, Suite 1  
Salinas, CA 93901  
(408) 422-3701

San Diego MBDC  
San Diego State University  
6363 Alvarado Court  
Suite 225  
San Diego, CA 92120  
(714) 265-3684

NOTE: For information about these or additional small business resources, contact Minority Business Development Agency, U.S. Department of Commerce, Washington, D.C., 202/377-2648.

## Attachment A--continued

**San Francisco MBDC**

Development Associates  
693 Sutter Street  
San Francisco, CA 94102  
(415) 776-0120

**San Jose MBDC**

R.M.C. Group, Inc.  
2700 Augustine Drive  
Suite 242  
Santa Clara, CA 95151  
(408) 980-0371

**Santa Barbara MBDC**

Cardinal Management  
Associates, Inc.  
17 East Carillo Street  
Santa Barbara, CA 93101

**Stockton MBDC**

Price Waterhouse  
2291 West March Lane  
Suite 227D  
Stockton, CA 95207  
(209) 474-3553

**Vallejo MBDC**

Price Waterhouse  
1301 Sonoma Boulevard  
Vallejo, CA 94590  
(916) 554-8816

**COLORADO****Denver MBDC**

Jonathan Jacobs and  
Associates  
70 West 6th Avenue  
Suite 302  
Denver, CO 80204  
(303) 595-4744

**CONNECTICUT****New Haven MBDC**

Burgos and Associates  
234 Church Street  
Suite 303  
New Haven, CT 06510  
(203) 773-9399

**DISTRICT OF COLUMBIA****Washington MBDC**

Leevy, Redcross, Whiting & Co.  
2100 M Street NW  
Suite 607  
Washington, D.C. 20037  
(202) 293-1982

**DELAWARE****Wilmington MBDC**

Alexander Grant  
4335 R Street  
Gov. Printz Boulevard  
Suite 1  
Wilmington, DE 19802  
(302) 762-0866

**FLORIDA****Ft. Lauderdale MBDC**

800 West Oakland Park  
Boulevard, Suite 311  
Ft. Lauderdale, FL 33311  
(305) 563-0660

**Jacksonville MBDC**

Manager's Associates  
137 East Forsyth, Suite 303  
Jacksonville, FL 32202  
(904) 354-8168

**Miami MBDC**

Economic Development  
Corporation  
8260 NE 2d Avenue  
Miami, FL 33138  
(305) 757-3757

**Miami MBDC**

Economic Development  
Corporation  
720 NW 27th Avenue  
Suite 202  
Miami, FL 33135

**Orlando MBDC**

Manager's Associates  
1310 West Colonial Drive  
Suite 27  
Orlando, FL 32804  
(305) 841-2036

**Tampa MBDC**

International Business  
Management, Inc.  
1918 West Cass Street  
Tampa, FL 33606  
(813) 253-3600

**West Palm Beach MBDC**

International Business  
Management, Inc.  
2001 Palm Beach Lake  
Boulevard, Suite 301  
West Palm Beach, FL 33409  
(305) 684-4664

**GEORGIA****Atlanta MBDC**

Boone, Young and  
Associates, Inc.  
75 Piedmont Avenue, NE  
Room 256  
Atlanta, GA 30303  
(404) 586-0973

**Augusta MBDC**

Central Savannah River Area  
Business League  
1208 Laney Walker Boulevard  
Augusta, GA 30901  
(404) 722-0994

**Columbus MBDC**

Minority Assistance  
Corporation  
1214 1st Avenue, Suite 430  
Columbus, GA 31901  
(404) 324-4253

## Attachment A—continued

**Savannah MBDC**

Boone, Young and  
Associates, Inc.  
31 West Congress Street  
Suite 201  
Savannah, GA 31401  
(912) 236-6708

**HAWAII****Honolulu MBDC**

U.S. Human Resources  
Corporation  
1150 South King Street  
Suite 203  
Honolulu, HI 96814  
(808) 531-7502

**ILLINOIS****Chicago North MBDC**

Price Waterhouse  
200 East Randolph Drive  
Chicago, IL 60601  
(312) 565-1500

**Chicago South MBDC**

Chicago Economic  
Development Corporation  
180 North Michigan Avenue  
Suite 333  
Chicago, IL 60649  
(312) 984-5950

**Chicago South MBDC**

Chicago Economic  
Development Corporation  
1711 East 71st  
Chicago, IL 60649  
(312) 684-8250

**INDIANA****Gary MBDC**

Globe Trotters Engineering  
Corporation  
567 Broadway  
Gary, IN 46402  
(219) 883-5802

**Indianapolis MBDC**

Indianapolis Business  
Development Foundation  
One Virginia Avenue,  
2nd Floor  
Indianapolis, IN 46204  
(317) 639-6131

**KENTUCKY****Louisville MBDC**

National Business League  
835 West Jefferson Street  
Suite 103  
Louisville, KY 40202  
(505) 589-7401

**LOUISIANA****Baton Rouge MBDC**

Wybirk and Associates  
1676 Dallas Drive, Suite 4  
Baton Rouge, LA 70806  
(504) 387-1799

**New Orleans MBDC**

Bruno and Tervaion  
650 South Peirce Street  
Suite 204  
New Orleans, LA 70119  
(504) 486-8296

**Shreveport MBDC**

Charles Cole Co.  
3003 Knight Street  
Suite 212  
Shreveport, LA 71105  
(318) 868-0511

**MARYLAND****Baltimore MBDC**

Control Data Business  
Center, Inc.  
2901 Druid Park Drive  
Baltimore, MD 21215  
(301) 462-3700

**MASSACHUSETTS****Boston MBDC**

Burgos and Associates  
15 Court Square, Suite 900  
Boston, MA 02108  
(617) 723-8520

**MICHIGAN****Detroit MBDC**

Southeastern Michigan  
BDC, Inc.  
1505 Woodward Avenue  
Suite 700  
Detroit, MI 48226  
(313) 961-0900

**Flint MBDC**

Flint Community  
Development Corporation  
708 Root Street (325A)  
Flint, MI 48503  
(313) 239-5847

**MINNESOTA****Minneapolis MBDC**

Control Data Business  
Center, Inc.  
5441 Viking Drive  
Bloomington, MN 55435  
(612) 893-4203

**Minnesota MBDC**

Minnesota Chippewa Tribe  
P.O. Box 217  
Cass Lake, MN 56633  
(218) 335-2252

**MISSISSIPPI****Jackson MBDC**

White and Company  
1st Magnolia Federal  
Building, Suite 409  
202 North Congress Street  
Jackson, MS 39207  
(601) 352-5513

## Attachment A—continued

**MISSOURI**

Kansas City MBDC  
Laventhol and Horwath  
1100 Charter Bank Center  
920 Main Street  
Kansas City, MO 64105  
(816) 221-6500

St. Louis MBDC  
Price Waterhouse  
1 Centerre Plaza  
St. Louis, MO 63101  
(314) 425-0500

St. Louis MBDC  
Price Waterhouse  
1139 Olive Boulevard  
St. Louis, MO 63101  
(314) 621-7417

**NEVADA**

Las Vegas MBDC  
Nevada Economic  
Development Corporation  
618 East Carson  
Los Vegas, NV 89101  
(702) 385-3293

**NEW JERSEY**

Newark MBDC  
Boone, Young and  
Associates, Inc.  
60 Park Place, Room 1604  
Newark, NJ 07102  
(201) 623-7710

New Brunswick MBDC  
Puerto Rican Congress of NJ  
Five Elm Row, Room 400  
New Brunswick, NJ 08901  
(201) 545-3614

**NEW MEXICO**

Indian Pueblo Council MBDC  
All Indian Development  
Association  
1015 Indian School Road  
Albuquerque, MN 87102  
(505) 247-0371

Albuquerque MBDC  
NEDA  
718 Central SW  
Albuquerque, MN 87102  
(505) 843-7114

**NEW YORK**

Bronx MBDC  
349 East 149th Street  
New York, NY 10451  
(212) 665-8583

Brooklyn MBDC  
Broone, Young and  
Associates, Inc.  
105 Court Street  
Brooklyn, NY 11201  
(212) 852-9001

Buffalo MBDC  
Planning Assistance  
Consultants, Inc.  
250 Delaware Avenue  
Suite 4  
Buffalo, NY 14202  
(716) 842-0750

Manhattan MBDC  
Boone, Young and  
Associates  
551 Fifth Avenue  
Suite 320  
New York, NY 10176  
(212) 661-8044

Nassau Suffolk MBDC  
Burgos and Associates, Inc.  
150 Broad Hollow Road  
Melville, NY 11747  
(516) 549-5454

Rochester MBDC  
Minority Business Service  
Center  
16 West Main Street  
Rochester, NY 15614  
(716) 546-1930

Queens MBDC  
Murtha, Gainza and  
Associates, Inc.  
97-77 Queens Boulevard  
Room 708  
Forest Hills, NY 11374  
(212) 275-8735

**NORTH CAROLINA**

Charlotte/Gastonia MBDC  
Boone, Young and  
Associates, Inc.  
230 South Tryon Street  
Suite 1039  
Charlotte, NC 28202  
(704) 372-6966

Fayetteville MBDC  
Garrett, Sullivan and  
Co. CPA  
2013-B Murchinson Road  
Fayetteville, NC 28301  
(919) 488-6350

Greensboro MBDC  
Garrett, Sullivan and Co.  
701 East Market Street  
Greensboro, NC 27401  
(919) 273-9461

Raleigh/Durham MBDC  
Durham Business and  
Professional Chain  
116 Parrish Street  
Durham, NC 27702  
(919) 683-1047

Cherokee MBDC  
Eastern Band of Cherokee  
Indians  
Acquoni Road  
P.O. Box 1200  
Cherokee, NC 28719  
(704) 497-9335

Asheville MBDC  
Eastern Band of  
Cherokee Indians  
165 South French Broad Street  
Asheville, NC 28801  
(704) 252-2516

## Attachment A—continued

**OHIO**

Cincinnati MBDC  
Price Waterhouse  
1900 Central Trust Center  
Cincinnati, OH 45202  
(513) 621-1900

City of Cleveland MBDC  
601 Lakeside Avenue  
Cleveland, OH 44114  
(216) 664-3533

Columbus MBDC  
Price Waterhouse  
180 East Broad Street  
Columbus, OH 43215  
(614) 221-8500

Dayton MBDC  
Price Waterhouse  
350 Gem Plaza  
Dayton, OH 45402  
(513) 222-2100

**OKLAHOMA**

Oklahoma City MBDC  
1500 NE 4th Street  
Suite 101  
Oklahoma City, OK 73117  
(405) 235-0430

Norman MBDC  
Oklahoma for Indian  
Opportunity  
555 Constitution Avenue  
Norman, Oklahoma 73069  
(405) 329-3737

Tulsa MBDC  
569 East 36 Street  
North Tulsa, OK 74106  
(918) 428-2511

**OREGON**

Portland MBDC  
Impact, Inc.  
8959 SW Barbur Boulevard  
Suite 102  
Portland, OR 97219  
(503) 245-9253

**PENNSYLVANIA**

Philadelphia MBDC  
Leevy, Redcross, Whiting  
and Co.  
1818 Market Street  
31st Floor  
Philadelphia, PA 19103  
(215) 561-7300

Pittsburg MBDC  
Greater Pittsburgh Business  
Development Corporation  
Allegheny Building  
429 Forbes Avenue  
Suite 1604  
Pittsburgh, PA 15219  
(412) 255-6360

**PUERTO RICO**

Mayaguez MBDC  
Yoland De Garcia, Inc.  
6015 Marena Station  
Mayaguez, Puerto Rico 00708  
(809) 933-7783

Ponce MBDC  
Development and Market  
Association  
Regional Distribution Center  
Makcon Avenue  
Playa de Ponce  
Ponce, Puerto Rico 00731  
(809) 804-3700

San Juan/Caguas MBDC  
Asociacion Productos de  
Puerto Rico  
207 O'Neill Street  
Hato Rey, Puerto Rico 00936  
(809) 753-8484

**SOUTH CAROLINA**

Charleston MBDC  
Affiliated Management  
90 Cannon Street  
Charleston, SC 29403  
(803) 577-4105

Columbia MBDC  
Affiliated Management  
Systems  
1712 Saint Julian Place  
Room 204  
Columbia, SC 29250  
(803) 765-0031

Greenville MBDC  
Boone, Young and  
Associates  
300 University Ridge  
Suite 110A  
Greenville, SC 29601  
(803) 271-8753

**TENNESSEE**

Memphis MBDC  
Memphis NBL, Inc.  
1188 Minna Place  
Suite 400  
Memphis, TN 38104  
(901) 726-9713

Nashville MBDC  
Memphis NBL, Inc.  
404 James Robertson  
Parkway, Suite C  
Nashville, TN 37219  
(615) 256-2687

**TEXAS**

Austin MBDC  
Avante International  
Systems Corporation  
411 West 13th, Room 804  
Austin, TX 78701  
(512) 478-4501

Beaumont MBDC  
SER Jobs for Progress, Inc.  
330 Liberty  
Beaumont, TX 77701  
(713) 833-3426

Brownsville MBDC  
Avante International  
Systems Corporation  
855 West Place Road  
Suite 30  
Brownsville, TX 78520  
(522) 544-7173

## Attachment A—continued

## Corpus Christi MBDC

Arthur Vasquez and Company  
1001 Louisiana Street  
Suite 403  
Corpus Christi, TX 78408  
(512) 854-2636

## Dallas MBDC

Alexander Grant and Company  
1800 One Dallas Centre  
Dallas, TX 75201  
(214) 748-0100

## El Paso MBDC

Restrepo and Associates  
6420 Escondido, Suite C  
El Paso, TX 79912  
(915) 581-2739

## Houston MBDC

D. Staes and Company  
2302 Fannin Street  
Room 202  
Houston, TX 77002  
(713) 758-9553

## Laredo MBDC

Avante International  
Systems Corporation  
800 East Mann Road  
Suite 101  
Auto Plaza Center  
Laredo, TX 79041  
(512) 724-8305

## McAllen MBDC

Avante International  
Systems Corporation  
4307 North 10th Street  
Suite F  
McAllen, TX 78501  
(512) 687-8836

## San Antonio MBDC

University of Texas  
Business Development Center  
Hemisfair Plaza  
Building 710  
San Antonio, TX 78285  
(512) 224-1945

## Mailing Address:

University of Texas  
Business Development Center  
San Antonio, TX 78285

## UTAH

## Salt Lake City MBDC

Price Waterhouse  
50 West Broadway  
Suite 800  
Salt Lake City, UT 84101  
(801) 328-2300

## VIRGINIA

## Newport News MBDC

Tidewater Area Business and  
Contractors Association  
2601-A Chestnut Avenue  
Newport News, VA 23607  
(804) 649-7473

## Norfolk MBDC

Boone, Young and  
Associates  
5 Main Plaza, Suite 1620  
Norfolk, VA 23510  
(804) 627-5254

## WASHINGTON

## Richmond MBDC

Sites and Company  
1200 6th Avenue  
Suite 1810  
Seattle, WA 98101  
(206) 624-5897

## Small Tribes MBDC

Small Tribes Organization  
of Western Washington  
520 Pacific Avenue  
Sumner, WA 98390  
(206) 593-2894

## WISCONSIN

## Milwaukee MBDC

Community Development  
600 Walnut Street  
Suite 39  
Milwaukee, WI 53212  
(414) 265-6200

## Attachment B

## SMALL BUSINESS ADMINISTRATION REGIONAL OFFICES

60 Battery March, 10th Floor  
Boston, MA 02110  
(617) 223-6660

3214 Federal Building  
New York, NY 10278  
(212) 264-1450

231 St. Asaphs Road, Room 646  
Bata Cynwyd, PA 19004  
(215) 596-5901

5 Peachtree Street, NE  
5th Floor  
Atlanta, GA 30367  
(404) 881-4943

838 E. M. Dirksen Federal Building  
Chicago, IL 60604  
(312) 353-0355

1720 Regal Row, Room 230  
Dallas, TX 75235  
(214) 767-7643

Old Federal Office Building, 23d Floor  
911 Walnut Street  
Kansas City, MO 64106  
(816) 374-5288

Executive Tower Building, 22d Floor  
Denver, CO 80202  
(303) 837-5763

Federal Building and U.S. Courthouse  
P.O. Box 36044  
San Francisco, CA 94102  
(415) 556-7487

Dexter Horton Building, 5th Floor  
Seattle, WA 98104  
(206) 442-5676

## Attachment C

## SMALL BUSINESS INSTITUTE PROGRAMS BY CITY AND STATE

**ALABAMA**

Auburn  
Auburn University

Birmingham  
University of Alabama in Birmingham

Florence  
University of North Alabama

Huntsville  
University of Alabama in Huntsville

Jacksonville  
Jacksonville State University

Mobile  
University of South Alabama

Montgomery  
Alabama State University

Troy  
Troy State University

University  
University of Alabama in Tuscaloosa

**ALASKA**

Anchorage  
University of Alaska

Fairbanks  
University of Alaska-Fairbanks

**ARKANSAS**

Arkadelphia  
Henderson State University

Batesville  
Arkansas College

Clarksville  
College of the Ozarks

Conway  
University of Central Arkansas

Fayetteville  
University of Arkansas at Fayetteville

Jonesboro  
Arkansas State University

Little Rock  
University of Arkansas at Little Rock

Magnolia  
University of Southern Arkansas

Monticello  
University of Arkansas at Monticello

Russellville  
Arkansas Polytechnical

Scarcy  
Harding College

**ARIZONA**

Flagstaff  
Northern Arizona University

Glendale  
American Graduate School of  
International Management

Tempe  
Arizona State University

Tucson  
University of Arizona

**CALIFORNIA**

Arcata  
Humboldt State University

Azusa  
Azusa Pacific College

Bakersfield  
California State College-Bakersfield

Chico  
California State University-Chico

Claremont  
Claremont Men's College

Dominquez Hills  
Cal State University-Dominquez Hills

Fresno  
California State University-Fresno

Fullerton  
Cal State University-Fullerton

Hayward  
Cal State University-Hayward

Long Beach  
Cal State University-Long Beach

Los Angeles  
Cal State University-Los Angeles  
Loyola-Marymount University  
University of California at Los Angeles  
University of Southern California

## Attachment C—continued

Northridge  
 Cal State University-Northridge  
 Pomona  
 Cal State Poly-Pomona  
 Sacramento  
 Cal State University-Sacramento  
 San Bernardino  
 Cal State College-San Bernardino  
 San Diego  
 Point Loma College  
 San Diego State University  
 San Francisco  
 San Francisco State University  
 University of San Francisco  
 San Jose  
 San Jose State University  
 San Luis Obispo  
 Cal Poly State University-  
 San Luis Obispo  
 Santa Barbara  
 University of California-  
 Santa Barbara  
 Westmont College  
 Stockton  
 University of Pacific  
 Turlock  
 California State College—Stanislaus  
 Whittier  
 Whittier College

**COLORADO**

Alamosa  
 Adams State College  
 Colorado Springs  
 University of Colorado-  
 Colorado Springs  
 Denver  
 Denver University  
 Metropolitan State College  
 Durango  
 Fort Lewis College  
 Fort Collins  
 Colorado State University  
 Grand Junction  
 Mesa College  
 Greeley  
 University of Northern Colorado  
 Pueblo  
 University of Southern Colorado

**CONNECTICUT**

Storrs  
 University of Connecticut  
 West Haven  
 University of New Haven

**DELAWARE**

Newark  
 University of Delaware

**FLORIDA**

Boca Raton  
 Florida Atlantic University  
 Coral Gables  
 University of Miami  
 Ft. Lauderdale  
 Nova University  
 Jacksonville  
 University of North Florida  
 Miami  
 Florida International University  
 Orlando  
 The University of Central Florida  
 Tallahassee  
 The Florida State University  
 Tampa  
 University of South Florida

**GEORGIA**

Albany  
 Albany State College  
 Americus  
 Georgia Southwestern College  
 Atlanta  
 Atlanta University  
 Emory University  
 Georgia Institute of Technology  
 Georgia State University  
 Augusta  
 Augusta College  
 Carrollton  
 West Georgia College  
 Marietta  
 Southern Technical Institute

## Attachment C—continued

Milledgeville  
Georgia College

Savannah  
Amstrong State College  
Savannah State College

Statesboro  
Georgia Southern College

Valdosta  
Valdosta State College

**HAWAII**

Hilo  
University of Hawaii-Hilo

Honolulu  
Chaminade University  
Hawaii Pacific College  
University of Hawaii-Manoa

Maui  
Maui Community College

**IDAHO**

Boise  
Boise State University

Moscow  
University of Idaho

Pocatello  
Idaho State University

**ILLINOIS**

Carbondale  
Southern Illinois University-Carbondale

Champaign  
University of Illinois at  
Urbana-Champaign

Charleston  
Eastern Illinois University

Chicago  
Chicago State University  
De Paul University  
Illinois Institute of Technology  
Roosevelt University  
University of Illinois-Chicago Circle

Decatur  
Millikin University

De Kalb  
Northern Illinois University  
Edwardsville  
Souther Illinois  
University-Edwardsville

Elmhurst  
Elmhurst College

Evanston  
Northwestern University

Jacksonville  
McMurray College

Lebanon  
McKendree College

Lockport  
Lewis University

Macomb  
Western Illinois University

Normal  
Illinois State University

Palos Heights  
Trinity Christian College

Peoria  
Bradley University

Quincy  
Quincy College

Springfield  
Sangamon State University

**INDIANA**

Anderson  
Anderson College

Angola  
Tri-State University

Bloomington  
Indiana University

Evansville  
Indiana State University-Evansville  
University of Evansville

Fort Wayne  
Indiana-Purdue University

Gary  
Indiana University-Northwest

Goshen  
Goshen College

Greencastle  
DePauw University

Hanover  
Hanover College

## Attachment C—continued

Indianapolis  
 Butler University  
 Indiana Central University  
 Kokomo  
 Indiana University-Kokomo  
 Muncie  
 Ball State University  
 New Albany  
 Indiana University-Southeast  
 Notre Dame  
 Saint Mary's College  
 University of Notre Dame  
 Richmond  
 Indiana University-East  
 Terre Haute  
 Indiana State University  
 Valparaiso  
 Valparaiso University

**IOWA**

Ames  
 Iowa State University  
 Cedar Falls  
 University of Northern Iowa  
 Cedar Rapids  
 Mt. Mercy College  
 Davenport  
 St. Ambrose College  
 Des Moines  
 Drake University  
 Dubuque  
 University of Dubuque  
 Iowa City  
 University of Iowa  
 Sious City  
 Briar Cliff

**KANSAS**

Emporia  
 Emporia State University  
 Hays  
 Fort Hays State University  
 Lawrence  
 University of Kansas  
 Manhattan  
 Kansas State University  
 Pittsburgh  
 Pittsburgh State University

Sterling  
 Sterling College  
 Topeka  
 Washington University  
 Wichita  
 Kansas Newman College  
 Wichita State University

**KENTUCKY**

Bowling Green  
 Western Kentucky University  
 Ft. Mitchell  
 Thomas More College  
 Highland Heights  
 Northern Kentucky University  
 Lexington  
 University of Kentucky  
 Louisville  
 University of Louisville  
 Foundation, Inc.  
 Morehead  
 Morehead State University  
 Richmond  
 Eastern Kentucky University

**LOUISIANA**

Baton Rouge  
 Louisiana State  
 University-Baton Rouge  
 Hammond  
 Southeastern University  
 Lafayette  
 University of Southwestern Louisiana  
 Lake Charles  
 McNeese State University  
 Monroe  
 Northeast Louisiana University  
 Natchitoches  
 Northwestern State University  
 of Louisiana  
 New Orleans  
 Loyola University  
 University of New Orleans  
 Xavier University  
 Pineville  
 Louisiana College  
 Ruston  
 Louisiana Technological University

## Attachment C—continued

Shreveport  
Louisiana State University  
In Shreveport

Thibodaux  
Nicholls State University

**MAINE**

Bangor  
Husson College

Springvale  
Nasson College

Biddesord  
St. Francis College

Orono  
University of Maine/Orono

Portland  
University of Southern Maine  
Westbrook College

**MARYLAND**

Baltimore  
Loyola College  
Morgan State University  
University of Baltimore

College Park  
University of Maryland

Cresaptown  
Frostburg State College

Salisbury  
Salisbury State College

**MASSACHUSETTS**

Amherst  
University of Massachusetts

Boston  
Boston College  
Northeastern University  
Suffolk University  
University of Mass./Boston

Cambridge  
Massachusetts Institute of  
Technology

Lowell  
University of Lowell

North Adams  
North Adams State College

North Dartmouth  
Southeastern Massachusetts  
University

Salem  
Salem State College

Springfield  
American International College  
Western New England College

Worcester  
Clark University

**MICHIGAN**

Allendale  
Grand Valley State College

Detroit  
University of Detroit  
Wayne State University

East Lansing  
Michigan State University

Flint  
University of Michigan-Flint

Houghton  
Michigan Technological University

Kalamazoo  
Kalamazoo College  
Western Michigan University

Marquette  
Northern Michigan University

Mount Pleasant  
Central Michigan University

Sault Saint Marie  
Lake Superior State College

Ypsilanti  
Eastern Michigan University

**MINNESOTA**

Bemidj  
Bemidj State University

Deluth  
St. Scholastica College  
University of Minnesota-Duluth

Mankato  
Mankato State University

Moorehead  
Moorehead State University

Morris  
University of Minnesota-Morris

## Attachment C—continued

Pamona  
Stockton State College  
Trenton  
Trenton State College  
Montclair  
Montclair State College

**NEW MEXICO**

Albuquerque  
University of New Mexico  
Las Cruces  
New Mexico State University  
Las Vegas  
New Mexico Highlands University  
Portales  
Eastern New Mexico University  
Santa Fe  
College of Santa Fe

**NEW YORK**

Albany  
SUNY at Albany  
Alfred  
Alfred University  
Binghamton  
SUNY at Binghamton  
Brooklyn  
St. Francis College  
Buffalo  
Canisius College  
Greenvale  
C.W. Post Center School of Business  
Long Island University  
Hempstead  
Hofstra University  
Ithaca  
Cornell University  
Jamaica  
St. Johns University  
Loudonville  
Siena College  
New York  
Bernard Baruch College & Research  
Foundation of the City  
University of New York  
Pace University

Plattsburg  
SUNY of Plattsburg  
Postsdam  
Clarkson College of Technology  
Riverdale  
Manhattan College  
Rochester  
Rochester Institute of Technology  
St. Bonaventure  
St. Bonaventure University  
Schenectady  
Union College  
Syracuse  
Syracuse University  
Utica  
SUNY at Utica/Rome

**NORTH CAROLINA**

Boone  
Appalachian State University  
Chapel Hill  
University of North Carolina-Chapel  
Hill  
Charlotte  
University of North Carolina at  
Charlotte  
Cullowhee  
Western Carolina University  
Durham  
North Carolina State University  
Greenville  
East Carolina University  
Raleigh  
North Carolina State University  
Wilmington  
University of NC-Wilmington  
Winston-Salem  
Wake Forest University

**NORTH DAKOTA**

Bismark  
Mary College  
 Fargo  
North Dakota State University  
Grand Forks  
University of North Dakota

## Attachment C—continued

St. Cloud  
St. Cloud State University  
St. Paul  
St. Thomas College  
Northfield  
St. Olaf College  
Winona  
Winona State University

**MISSOURI**

Joplin  
Missouri Southern State College  
Kansas City  
Rockhurst College  
University of Missouri-Kansas City  
Kirksville  
Northeast Missouri State University  
Maryville  
Northwest Missouri State University  
St. Joseph  
Missouri Western State College  
Springfield  
Southwest Missouri State University

**MISSISSIPPI**

Cleveland  
Delta State University  
Hattiesburg  
University of Southern Mississippi  
Jackson  
Jackson State University  
Millsaps College  
Mississippi  
Mississippi State  
University  
The University of Mississippi

**MONTANA**

Billings  
Eastern Montana College  
Bozeman  
Montana State University  
Missoula  
University of Montana

**NEBRASKA**

Chadron  
Chadron State College  
Crete  
Doane College  
Hastings  
Hastings College  
Kearney  
Kearney State College  
Lincoln  
University of Nebraska at Lincoln  
Omaha  
Creighton University  
Peru  
Peru State College  
Wayne  
Wayne State College

**NEVADA**

Los Vegas  
University of Nevada-Los Vegas  
Reno  
University of Nevada-Reno

**NEW HAMPSHIRE**

Durham  
University of New Hampshire  
Manchester  
New Hampshire College  
Plymouth  
Plymouth State College

**NEW JERSEY**

Camden  
Rutgers University  
Lincroft  
Brookdale Community College  
Madison  
Fairleigh Dickinson University  
Mahwah  
Ramapo College  
Newark  
New Jersey Institute of Tech.

## Attachment C—continued

Jamestown  
Jamestown College  
Minot  
Minot State College

**OHIO**

Ada  
Ohio Northern University  
Akron  
University of Akron  
Athens  
Ohio University  
Berea  
Baldwin-Wallage College  
Bowling Green  
Bowling Green State University  
Cincinnati  
University of Cincinnati  
Xavier University  
Cleveland  
Case Western Reserve University  
Columbus  
Capital University  
Ohio State University  
Dayton  
University of Dayton  
Wright State University  
Defiance  
Defiance College  
Findlay  
Findlay  
Marietta  
Marietta College  
New Concord  
Muskingum College  
Oxford  
Miami University  
Painesville  
Garfield Senior College (Div of  
Lake Erie College)  
Rio Grande  
Rio Grande College  
Springfield  
Wittenberg University  
Toledo  
University of Toledo  
Urbana  
Urbana College  
Westerville  
Otterbein College

Wilberforce  
Central State University  
Wilberforce University  
Wilmington  
Wilmington College  
Youngstown  
Youngstown State University

**OKLAHOMA**

Ada  
East Central University  
Durant  
Southeastern Oklahoma State  
University  
Enid  
Phillips University  
Edmond  
Central State University  
Lawton  
Cameron University  
Norman  
University of Oklahoma  
Oklahoma City  
Oklahoma Christian College  
Shawnee  
Oklahoma Baptist University  
Stillwater  
Oklahoma State University  
Tahlequah  
Northeastern Oklahoma State  
University  
Tulsa  
Oral Roberts University  
University of Tulsa  
Weatherford  
Southwestern Oklahoma State  
University

**OREGON**

Corvallis  
Oregon State University  
Eugene  
University of Oregon  
LaGrande  
Eastern Oregon State College  
Newberg  
George Fox College

## Attachment C—continued

Portland  
 Portland State University  
 University of Portland  
 Salem  
 Williamette University

**PENNSYLVANIA**

Bethlehem  
 Lehigh University  
 California  
 California State College  
 Chester  
 Widener College  
 Cheyney  
 Cheyney State College  
 Erie  
 Gannon College  
 Gettysburg  
 Gettysburg College  
 Indiana  
 Indiana University of Pennsylvania  
 Lewisburg  
 Bucknell University  
 Middletown  
 Penn State University—Capitol  
 Campus  
 Philadelphia  
 Drexel University  
 LaSalle College  
 Temple University  
 University of Pennsylvania  
 Pittsburgh  
 Carnegie Mellon University  
 Duquesne University  
 University of Pittsburgh  
 Scranton  
 University of Scranton  
 Shippensburg  
 Shippensburg State College  
 Slippery Rock  
 Slippery Rock State College  
 State College  
 Pennsylvania State University  
 Villanova  
 Villanova University  
 West Chester  
 West Chester State College  
 Wilkes-Barre  
 King's College  
 Wilks College

**RHODE ISLAND**

Bristol  
 Roger Williams College  
 Kingston  
 University of Rhode Island  
 Providence  
 Johnson & Wales College

**SOUTH CAROLINA**

Charleston  
 The Citadel  
 Clemson  
 Clemson University  
 Conway  
 University of South Carolina  
 (Coastal Branch)  
 Florence  
 Francis Marion College  
 Rock Hill  
 Winthrop College

**SOUTH DAKOTA**

Aberdeen  
 Northern State College  
 Madison  
 Dakota State College  
 Rapid City  
 National College of Business  
 Sioux Falls  
 Augustana College  
 Sioux Falls College  
 Spearfish  
 Black Hills State College  
 Vermillion  
 University of South Dakota

**TENNESSEE**

Athens  
 Tennessee Wesleyan College  
 Chattanooga  
 The University of Tennessee at  
 Chattanooga  
 Clarksville  
 Austin Peay State University

## Attachment C—continued

Cookeville  
 Tennessee Technological University  
 Johnson City  
 East Tennessee State University  
 Knoxville  
 The University of Tennessee at  
 Knoxville  
 Martin  
 The University of Tennessee at Martin  
 Memphis  
 Memphis State University  
 Murfreesboro  
 Middle Tennessee State University  
 Nashville  
 The University of Tennessee at  
 Nashville

## TEXAS

Abilene  
 Abilene Christian University  
 Hardin-Simmons University  
 Alpine  
 Sul Ross State University  
 Arlington  
 University of Texas-Arlington  
 Austin  
 St. Edward's University  
 University of Texas at Austin  
 Belton  
 Mary Hardin Baylor  
 Beaumont  
 Lamar University  
 Brownsville  
 Pan American University at  
 Brownsville  
 Canyon  
 West Texas State University  
 College Station  
 Texas A & M University  
 Commerce  
 East Texas State-Commerce  
 Corpus Christi  
 Corpus Christi State University  
 Denton  
 North Texas State University  
 Edinburg  
 Pan American University  
 El Paso  
 University of Texas-El Paso

Houston  
 Houston Baptist University  
 University of Houston  
 College of Business  
 Administration  
 College of Business Technology  
 University of Houston-Clear Lake  
 Campus  
 Huntsville  
 Sam Houston State University  
 Irving  
 University of Dallas  
 Kingsville  
 Texas A & I University  
 Laredo  
 Laredo State University  
 Lubbock  
 Texas Tech University  
 Agriculture Economics  
 Business Administration  
 Home Management  
 Marshall  
 Wiley College  
 Nacogdoches  
 Stephen F. Austin University  
 Odessa  
 University of Texas-Permian Basin  
 San Angelo  
 Angelo State University  
 San Antonio  
 St. Mary's University  
 Trinity University  
 University of Texas-San Antonio  
 San Marcos  
 Southwest Texas State University  
 Texarkana  
 East Texas State-Texarkana  
 Tyler  
 Texas Eastern University  
 Uvalde  
 Sul Ross State University  
 Waco  
 Baylor University  
 Wichita Falls  
 Midwestern State University  
 UTAH  
 Logan  
 Utah State University

## Attachment C—continued

## Ogden

Weber State College

## Provo

Brigham Young University

## Salt Lake City

University of Utah

**VERMONT**

## Bennington

Southern Vermont College

## Burlington

Champlain College

University of Vermont

## Castleton

Castleton State College

## Johnson

Johnson State College

## Northfield

Norwich University

## Poultney

Green Mountain College

**VIRGINIA**

## Blacksburg

Virginia Polytechnic Institute  
& State University

## Charlottesville

University of Virginia  
Colgate Darden Graduate School  
McIntire School of Commerce

## Fairfax

George Mason University

## Ft. Myer

Golden Gate University

## Harrisonburg

James Madison University

## Norfolk

Norfolk State College  
Old Dominion University

## Richmond

Virginia Commonwealth University

## Petersburg

Virginia State University

## Williamsburg

College of William &amp; Mary

**WASHINGTON**

## Chency

Eastern Washington University

## Ellensburg

Central Washington University

## Lynnwood

Edmonds Community College

## Olympia

Evergreen State College

## Pullman

Washington State University

## Seattle

Seattle University

University of Washington

## Tacoma

Pacific Lutheran University  
University of Puget Sound**WASHINGTON, D.C.**

## American University

## Gallaudet College

## Georgetown University

## Southeastern University

## University of the District of Columbia

**WEST VIRGINIA**

## Athens

Concord College

## Bluefield

Bluefield State College

## Charleston

University of Charleston  
West Virginia College of Graduates

## Elkins

Davis and Elkins College

## Fairmont

Fairmont State College

## Glennville

Glennville State College

## Huntington

Marshall University

## Institute

West Virginia State College

## Morgantown

West Virginia University

**Attachment C—continued**

West Liberty  
West Liberty State College  
Wheeling  
Sheeling College

**WISCONSIN**

Eau Claire  
University of Wisconsin-Eau Claire  
Kenosha  
University of Wisconsin-Parkside  
Madison  
University of Wisconsin-Madison  
Milwaukee  
Marquette University  
Milwaukee School of Engineering  
University of Wisconsin-Milwaukee  
Oshkosh  
University of Wisconsin-Oshkosh

**WYOMING**

Laramie  
University of Wyoming

**GUAM**

Agana  
University of Guam

**PUERTO RICO**

Hato Rey  
Interamerican University  
Mayaguez  
University of Puerto Rico-Mayaguez  
Ponce  
Catholic University of Puerto Rico  
Rio Piedras  
University of Puerto Rico-Rio  
Piedras

**VIRGIN ISLANDS**

St. Thomas

## Attachment D

## SMALL BUSINESS DEVELOPMENT CENTERS (SBDC)

SBDC Director  
 University of Alabama in Birmingham  
 School of Business  
 1000 South 12th Street, Suite F  
 Birmingham, AL 35294  
 (205) 934-7260

SBDC Director  
 University of Arkansas  
 1015 West Second Street  
 Little Rock, AR 72201  
 (501) 371-5381

SBDC Director  
 University of Connecticut  
 School of Business Administration  
 Box U-41D  
 Storrs, CT 06268  
 (203) 468-4135

SBDC Director  
 University of Delaware  
 005 Purnell Hall  
 Newark, DE 19711  
 (302) 738-8401

SBDC Director  
 University of West Florida  
 137 Hospital Drive, Suite H  
 Ft. Walton Beach, FL 32548  
 (904) 243-7624

Acting SBDC Director  
 University of Georgia  
 Brooks Hall, Room 348  
 Athens, GA 30602  
 (404) 542-5760

SBDC Director  
 Iowa State University  
 Center of Industry Research and Service  
 Room 205  
 Ames, IA 50011  
 (515) 294-3420

SBDC Director  
 University of Kentucky  
 College of Business and Economics  
 Commerce Building, Room 415  
 Lexington, KY 40506  
 (606) 257-1751

SBDC Director  
 University of Southern Maine  
 246 Deering Avenue  
 Portland, ME 04102  
 (207) 780-4423

SBDC Director  
 University of Massachusetts  
 School of Business Administration  
 Amherst, MA 01003  
 (413) 549-4930 Ext. 304

SBDC Director  
 St. Thomas College  
 2115 Summit Avenue  
 St. Paul, MN 55105  
 (612) 647-5840

SBDC Director  
 University of Mississippi  
 1855 Eastover Drive, Suite 101  
 Jackson, MS 39211  
 (601) 982-6684

SBDC Director  
 St. Louis University  
 School of Business and Administration  
 3674 Lindell Boulevard  
 St. Louis, MO 63103  
 (314) 758-3825

SBDC Director  
 University of Nebraska – Omaha  
 Omaha, NE 68182  
 (402) 554-2521

## Attachment D—continued

SBDC Director  
Rutgers University  
Akerson Hall, 3rd Floor  
180 University Street  
Newark, NJ 07102  
(201) 648-5627

State Director, SBDC  
University of Pennsylvania  
The Wharton School  
3201 Steinberg Hall  
Dietrich Hall/CC  
Philadelphia, PA 19104  
(215) 898-1219

SBDC Director  
Bryant College  
Smithfield, RI 02917  
(401) 231-1200

SBDC Director  
University of South Carolina  
College of Business Administration  
Columbia, SC 29208  
(803) 777-5118

SBDC Director  
University of Utah  
Graduate School of Business  
Salt Lake City, UT 84112  
(801) 581-7905

SBDC Director  
Small Business Development Center  
of Vermont, Inc.  
73 Main Street, Room 7  
Montpelier, VT 05602  
(802) 862-0200

SBDC Director  
Howard University  
2361 Sherman Avenue, NW  
Washington, D.C. 20059  
(202) 636-7187

SBDC Director  
Washington State University  
College of Business and Economics  
Pullman, WA 99164  
(509) 335-1576

SBDC Director  
2300 MacCorkle Avenue, SE  
Charleston, WV 25304  
(304) 346-9471

SBDC Director  
University of Wisconsin  
One South Park Street  
Madison, WI 53706  
(608) 263-7794

## WASHINGTON COUNCIL

1050 17th Street  
Suite 900  
Washington, D.C. 20036  
(202) 887-5599

## Are You Ready to Become an Entrepreneur?

The Small Business Administration (SBA) has developed some questions to help you think about what is needed to become a successful entrepreneur. Answer each question. If the answer is YES, you are on the right track. If you answer NO, you have some work to do.

	<u>YES</u>	<u>NO</u>
<b>WHAT ABOUT YOU?</b>		
● Are you the kind of person who can get a business started and run it successfully?	_____	_____
● Think about why you want to own your own business. Do you want it badly enough to work long hours without knowing how much money you'll end up with?	_____	_____
● Does your family go along with your plan to start a business of your own?	_____	_____
● Have you worked in a business similar to the one you want to start?	_____	_____
● Have you worked for someone else as a supervisor or manager?	_____	_____
● Have you had any business training in school?	_____	_____
<b>WHAT ABOUT THE MONEY?</b>		
● Have you saved any money?	_____	_____
● Do you know how much money you will need to get your business started?	_____	_____
● Have you figured out whether you could make more money working for someone else?	_____	_____
● Have you determined how much of your own money you can put into the business?	_____	_____
● Do you know how much credit you can get from your suppliers—the people from whom you will buy?	_____	_____
● Do you know where you can borrow the rest of the money needed to start your business?	_____	_____
● Have you figured out your expected net income per year from the business? (Include your salary and profit on the money you put into the business.)	_____	_____

SOURCE: Small Business Administration. *Small Marketers' Aid No. 71* (Washington, DC: Small Business Administration, 1975)

**Are You Ready to Become an Entrepreneur?—Continued**

	<u>YES</u>	<u>NO</u>
● Can you live on less than this so that you can use some of it to help your business grow?	_____	_____
● Have you talked to a banker about your plans?	_____	_____
<b>SELLING</b>		
● Have you decided on a selling plan?	_____	_____
● Do you know how to get customers to buy?	_____	_____
● Have you thought about the selling techniques that make customers want to buy from some salespersons while others turn them off?	_____	_____
<b>YOUR EMPLOYEES</b>		
● If you need to hire someone to help you, do you know where to look?	_____	_____
● Do you know what kind of person you need?	_____	_____
● Do you know how much to pay?	_____	_____
● Do you know what benefits to provide?	_____	_____
● Do you have a plan for training your employees?	_____	_____
● Do you have a work plan for yourself and your employees?	_____	_____
<b>CREDIT FOR YOUR CUSTOMERS</b>		
● Have you decided whether to let your customers buy on credit?	_____	_____
● Do you know the good and bad points about joining a credit card plan?	_____	_____
● Can you tell a "deadbeat" from a good credit customer?	_____	_____
● Have you talked with other business owners in the area about what they think of the business?	_____	_____
● Have you talked with the company's suppliers?	_____	_____
● Have you talked to a lawyer about it?	_____	_____
<b>ADVERTISING</b>		
● Have you decided how you will advertise (newspapers, posters, hand-bills, radio, mail)?	_____	_____

**Are You Ready to Become an Entrepreneur?—Continued**

	<u>YES</u>	<u>NO</u>
● Do you know where to get help with your ads?	_____	_____
● Have you watched how other similar businesses get people to buy?	_____	_____
<b>THE PRICES YOU CHARGE</b>		
● Can you determine what you should charge for each product or service you sell?	_____	_____
● Do you know what other businesses like yours charge?	_____	_____
<b>BUYING</b>		
● Do you know how to find out what your customers want?	_____	_____
● Will your inventory records tell you when it is time to reorder and how much to order?	_____	_____
● Will you buy most of your stock from a few suppliers rather than a little from many, so that those you buy from will want to help you succeed?	_____	_____
● Have you made plans for protecting your business against thefts of all kinds (shoplifting, robbery, burglary, stealing by employees)?	_____	_____
● Have you talked with an insurance agent about what kinds of insurance you need?	_____	_____
<b>BUYING A BUSINESS FROM SOMEONE ELSE</b>		
● Have you made a list of what you like and don't like about buying a business someone else has started?	_____	_____
● Are you sure you know the real reason why the owner wants to sell that business?	_____	_____
● Have you compared the cost of buying the business with the cost of starting a new business?	_____	_____
● Are the stock/equipment/fixtures up to date and in good condition?	_____	_____
● Is the building in good condition?	_____	_____
● Will the owner of the building transfer the lease to you?	_____	_____
● Have you talked with other business people in the area to see what they think of the business?	_____	_____

**Are You Ready to Become an Entrepreneur?—Continued**

	<u>YES</u>	<u>NO</u>
● Have you talked with the company's suppliers?	_____	_____
● Have you talked with a lawyer about it?	_____	_____
<b>YOUR RECORDS</b>		
● Have you planned a system of records that will enable you to keep track of your income and expenses, what you owe other people, and what other people owe you?	_____	_____
● Can you keep track of your inventory so that you will always have enough on hand for your customers, but not more than you can sell?	_____	_____
● Have you figured out how to keep payroll records and take care of tax reports and payments?	_____	_____
● Do you know what financial statements you should prepare?	_____	_____
● Do you know how to use these financial statements?	_____	_____
● Do you know an accountant who will help you with your records and financial statements?	_____	_____
<b>YOUR BUSINESS AND THE LAW</b>		
● Do you know what licenses and permits you need?	_____	_____
● Do you know what business laws you have to obey?	_____	_____
<b>EQUIPMENT AND SUPPLIERS</b>		
● Do you know what equipment and supplies you will need and how much they will cost?	_____	_____
● Can you save some money by buying secondhand equipment?	_____	_____
<b>YOUR MERCHANDISE/SERVICES</b>		
● Have you decided what products/services you will sell?	_____	_____
● Do you know how much or how many of each product you will need to buy in order to open your business?	_____	_____
● Have you found suppliers who will sell you what you need at a good price?	_____	_____
● Have you compared the prices and credit terms of different suppliers?	_____	_____

**Are You Ready to Become an Entrepreneur?—Continued**

	<u>YES</u>	<u>NO</u>
<b>HOW ABOUT A PARTNER?</b>		
● If you need a partner who has money or know-how you need, do you know someone who will fit—someone with whom you can get along?	_____	_____
● Do you know the good and bad points about going it alone, having a partner, and incorporating your business?	_____	_____
● Do you know a lawyer to whom you can go for advice and help with legal papers?	_____	_____
● Have you talked to a lawyer about it?	_____	_____
<b>WHAT ABOUT YOUR CUSTOMERS?</b>		
● Do most businesses in your community seem to be doing well?	_____	_____
● Have you tried to find out how well businesses similar to the one you want to open are doing in your community and in the rest of the country?	_____	_____
● Do you know what kind of people will want to buy what you plan to sell?	_____	_____
● Do such people live in the area where you want to open your business?	_____	_____
● Do you feel they need a business like yours?	_____	_____
● If not, have you thought about opening a different kind of business or going to another neighborhood?	_____	_____
<b>YOUR BUILDING</b>		
● Have you found a good location for your business?	_____	_____
● Will you have enough room when your business "gets going"?	_____	_____
● Will you have adequate parking facilities?	_____	_____
● Can you fix the building the way you want to without spending too much money?	_____	_____
● Can potential customers get to it easily from parking spaces, bus stops, or homes?	_____	_____
● Have you had a lawyer check the lease and zoning?	_____	_____

**Personal Plan of Action**

<b>Needs</b>	<b>Proposed Action</b>	<b>Resources</b>

# RESOURCES AVAILABLE FOR SMALL BUSINESS OWNERS

## FEDERAL GOVERNMENT AGENCIES

- **U.S. DEPARTMENT OF COMMERCE**
  - INTERAGENCY COUNCIL FOR MINORITY BUSINESS ENTERPRISE**
  - MINORITY BUSINESS DEVELOPMENT AGENCY**
  - NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL**
  
- **U.S. SMALL BUSINESS ADMINISTRATION**
  - OFFICE OF MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT**
  - SMALL BUSINESS INVESTMENT COMPANIES**
  - OFFICE OF PROCUREMENT AND TECHNOLOGY ASSISTANCE**
  - PRESIDENTIAL ADVISORY COMMITTEE ON SMALL AND MINORITY BUSINESS OWNERSHIP**
  - SERVICE CORPS OF RETIRED EXECUTIVES**
  - ACTIVE CORPS OF EXECUTIVES**
  - SMALL BUSINESS INSTITUTE PROGRAM**
  - SMALL BUSINESS DEVELOPMENT CENTERS**
  - INTERAGENCY COMMITTEE ON WOMEN'S BUSINESS ENTERPRISE**
  
- **U.S. DEPARTMENT OF EDUCATION**
  - **NATIONAL SCIENCE FOUNDATION**
  - **COUNCIL OF STATE COMMUNITY AFFAIRS AGENCIES**

### **LOCAL AND STATE AGENCIES**

- **STATE DEPARTMENTS OF VOCATIONAL EDUCATION**
- **LOCAL CHAMBERS OF COMMERCE**

### **VENTURE COMPANIES**

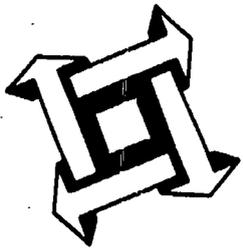
- **AMERICAN INDIAN NATIONAL BANK**

### **PRIVATE SECTOR AND SPECIAL INTEREST GROUPS**

- **CHARLES STEWART MOTT FOUNDATION**
- **NATIONAL COALITION OF HISPANIC MENTAL HEALTH AND HUMAN SERVICES**
- **NATIONAL COMMISSION ON RESOURCES FOR YOUTH, INC.**
- **NATIONAL MINORITY BUSINESS COUNCIL, INC.**
- **UNITED INDIAN DEVELOPMENT ASSOCIATION**
- **WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.**

**COLLEGES, UNIVERSITIES, AND ENTREPRENEURSHIP CENTERS**

- **VOCATIONAL STUDIES CENTER (UNIVERSITY OF WISCONSIN-MADISON)**
- **CENTER FOR PRIVATE ENTERPRISE AND ENTREPRENEURSHIP (BAYLOR UNIVERSITY)**
- **CENTER FOR ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT (WICHITA STATE UNIVERSITY)**
- **THE ENTREPRENEURSHIP INSTITUTE (COLUMBUS, OH)**
- **HAWAII ENTREPRENEURSHIP TRAINING AND DEVELOPMENT INSTITUTE (HONOLULU, HI)**



# **Developing a Personal Plan of Action**

## UNIT 10

**Title:** **DEVELOPING A PERSONAL PLAN OF ACTION**

**Purpose:** The purpose of this unit is to summarize each participant's preliminary business plan and to decide on the next steps.

**Objectives:** Upon completion of this unit, the participants will—

- have presented a summary of their business plan to peers and guests,
- have decided on their readiness to start a business, and
- have created an ongoing support group.

**Materials:** Handout 10-1: Participant Course Evaluation  
Handout 10-2: Community Advisory Committee Evaluation

**Product:** Personal Plan of Action

**Notes to Instructor:** You may want to provide refreshments or ask the class to do so.

Formation of an ongoing support group should be optional. If your sponsoring organization permits, an ongoing support system or center is desirable in the developing entrepreneur. Computers, contacts, resources, and individualized instruction may all be very helpful to those who wish to proceed with their own small businesses.

Time spent on class presentations will obviously depend on the number of participants in the class. For example, the 120-minute estimate allows the following:

- Fifteen 8-minute presentations
- Twelve 10-minute presentations
- Ten 12-minute presentations
- Eight 15-minute presentations

You will need to decide on the amount of time allowed for each presentation and the extent of the presentations before the class meets. An alternative if you have a very large class is to start the presentations in unit 9 (you could call for early volunteer presenters) and eliminate the panel.

In addition to the course evaluation by the participants, you will also want to get feedback from the community advisory committee. See HO 10-2.

<b>Estimated Time:</b>	Introduction of guests	15 minutes
	Presentation of business plans	120 minutes
	Summary and evaluation	15 minutes
	Refreshments	20 minutes

## CONTENT

## PROCESS

**A. Presentation of Business Plans**

All participants should introduce their guests.

All participants should present a brief summary of their business plan to include the following components:

- Description of business idea
- Marketing plan
- Financial plan
- Organizational plan

**B. Organizing Support Group**

1. This class experience has given you the opportunity to evaluate the *desirability* and *feasibility* of starting your own business. You will recall from our first class discussion that you have the following four options:

- Going to work for someone else to gain experience before starting your own business
- Taking course work or further training before starting your own business
- Starting your own business now
- Deciding not to start your own business

Whatever decision you make is an individual decision and *is okay*. No one can make this decision for you—we've only tried to give you information that will help you make the best decision for you.

Also, HO 9-4: Are You Ready to Become an Entrepreneur? and HO 9-5: Personal Plan of Action (both from unit 9) are designed to aid you further in your decision concerning your next steps.

Ask participants if they have any questions concerning these handouts.

**CONTENT****PROCESS**

2. We have developed some real friendships in this class that can serve in an ongoing support capacity as you make your entrepreneurial preparations. You might want to develop some kind of ongoing activity for this group, such as a regular lunch or breakfast meeting. Just remember that such a support group can become an invaluable resource.

**C. Evaluation**

Before you leave, please complete the evaluation for this class.

**D. Refreshments**

You might want to discuss decisions that have been made and individuals' next steps.

Distribute HO 10-1: Participant Course Evaluation. Be sure to tell the participants they don't have to sign the evaluation so as to encourage honest feedback. They may wish to include a copy of their business plans; however, this should be optional.

## Participant Course Evaluation

	Very Much	Quite a Bit	Some but Not Much	Very Little	Comments
Were you interested in this course?					
Did you feel that the group was interested in this course?					
Did you learn any new facts or get any new ideas?					
Did you change any of your previous opinions about starting your own business as a result of this course?					
Were your previous opinions confirmed or strengthened?					
Do you think the group accomplished its goal as a result of this course?					
Was the instructor sufficiently prepared?					
Would the course have been better if some parts had been left out? What parts?					

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HO 10-1

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**Participant Course Evaluation—Continued**

	Very Much	Quite a Bit	Some but Not Much	Very Little	Comments
Did you find the social atmosphere of the course congenial and enjoyable?					
Do you have suggestions (about techniques, material, and so forth) for improving future courses? (Use other side of page if necessary.)					
<p>If at this time you have made a decision about starting your own business and would like to share this information, please do so in the space provided. You may want to attach a copy of your business plan.</p>					

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HO 10-1

### Community Advisory Committee Course Critique

	Very Much	Quite a Bit	Some but Not Much	Very Little	Comments
Did you feel that the group was interested in this course?					
Do you think the group accomplished its goal as a result of this course?					
Was there enough preparation for the course?					
Would the course have been better if some parts had been left out? (List parts under comments.)					
Did you find the social atmosphere of the course congenial and enjoyable?					
Did participants contact you for additional information and assistance between class meetings?					

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HO 10-2

**Community Advisory Committee Course Critique—Continued**

	<b>Very Much</b>	<b>Quite a Bit</b>	<b>Some but Not Much</b>	<b>Very Little</b>	<b>Comments</b>
<b>Do you have any suggestions about techniques or material for improving the course?</b>					
<b>Did you enjoy participating in this course as a committee member? Would you participate again if asked? (Indicate yes or no under comments.)</b>					

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250

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HO 10-2

## RESOURCES

- Ashmore, M. Catherine, and Pritz, Sandra G., comp. *Program for Acquiring Competence in Entrepreneurship (PACE), Revised*. Research and Development Series no. 240. Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982.
- Bank of America NT & SA. "Steps to Starting a Business." *Small Business Reporter* 10, no. 10, 1976.
- Cooper, Arnold. *Entrepreneurship: Starting a New Business*. San Mateo, CA: National Federation of Independent Business, 1982.
- Goldstein, Jerome. "Shapero's Laws." *In Business* 3, no. 3 (May-June 1981): 14-17.
- Kent, Calvin A.; Sexton, Donald L.; and Vesper, Karl H.; eds. *Encyclopedia of Entrepreneurship*. Englewood Cliffs, NJ: Prentice-Hall, 1982.
- Kuebbler, Gary L. *Going into Business for Yourself*. Columbus: Distributive Education Materials Lab, The Ohio State University, n.d.
- "Occupational Employment Projections through 1995." *Monthly Labor Review* 106, no. 11 (November 1983): 45.
- Shapero, Albert. "The Displaced, Uncomfortable Entrepreneur." *Psychology Today*, November 1975, pp. 83-86, 88, 133.
- . "Taking Control." Commencement address delivered at The Ohio State University, Columbus, Ohio December 1982.
- Small Business Administration. "Checklist for Going into Business." *Small Business Marketers Aid No. 71*. Washington, DC: Small Business Administration, 1975.
- U.S. Small Business Administration. *The State of Small Business: A Report of the President*. Washington, DC: Government Printing Office, March 1984.
- Vesper, Carl. *New Venture Strategies*. Englewood Cliffs, NJ: Prentice-Hall, 1980.

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• <i>Entrepreneurship: A Career Alternative</i>	IN 273	\$4.25
• <i>The Entrepreneurs of Entrepreneurship</i>	OC 84	\$2.25
• <i>Entrepreneurship for Women: An Unfulfilled Agenda</i>	IN 221	\$2.35

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